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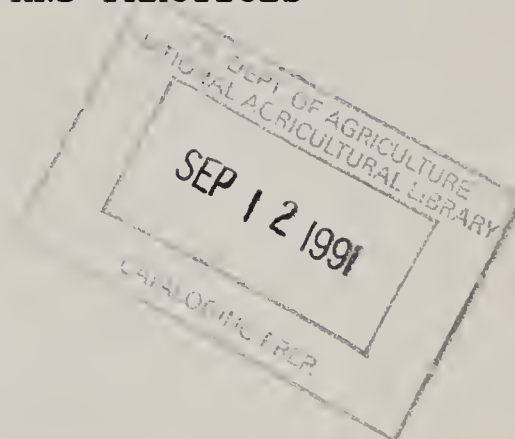
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WIC VENDOR MANAGEMENT SYSTEMS AND PRACTICES

December, 1990



Submitted To:

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EXECUTIVE SUMMARY

STUDY BACKGROUND

The Special Supplemental Food Program for Women, Infants, and Children (WIC) is a nutrition program that provides supplemental foods, nutrition education, and health care referrals for low-income pregnant, postpartum, and breastfeeding women; infants; and children under 5 years of age. Authorized by Federal law, WIC is administered by the U.S. Department of Agriculture (USDA), which awards grants-in-aid to States for use in operating the WIC Program. The States generally award subgrants to local agencies, which must be public health or welfare agencies or nonprofit agencies.

In 1980, USDA's Office of the Inspector General conducted an audit of WIC's food instrument delivery system. The audit showed weaknesses in State-level WIC management in the areas of vendor monitoring, financial management, State agency monitoring by the Federal Government, and program accountability. In response to this audit, in 1983 the Food and Nutrition Service (FNS) issued regulations that increased the States' fiscal accountability for food delivery operations and encouraged them to prevent loss of program funds through vendor fraud and serious forms of abuse. However, FNS lacked information on the results of its efforts and on the response to the 1983 regulations. The WIC Vendor Management Study was initiated to address this need for information.

The purpose of this study, conducted under contract to FNS by Professional Management Associates, Inc. (PMA) and its subcontractor, Applied Management Sciences, Inc. (AMS), is to provide a comprehensive description of the vendor management systems used in WIC State agencies. The study is limited to the

49 State WIC agencies that distribute WIC supplemental foods by retail purchase.

METHODOLOGY

This study used a self-administered mail questionnaire and a telephone interview to collect data. Responses to both questionnaires were received from all State agencies within the scope of the study. The data covered fiscal year 1987 and were collected in fiscal year 1988.

PRINCIPAL FINDINGS

Characteristics of WIC State Agency Basic Operations and Representative Monitoring Activities

A great deal of variation exists in States vendor management activities.

- o Vendor selection and authorization. Over three-quarters of the States have minimum standards for vendors' past WIC or Food Stamp Program performance, pricing levels, stock levels, and geographic location.
- o Limiting vendor numbers. Forty-three percent of the States said they have limits on the number of vendors that can be authorized. However, relatively few States could quantify the effects of such a policy.
- o Vendor training. All States conduct some form of vendor training, usually focusing on such topics as redemption procedures and stocking. Staff who conduct vendor training are more than 2 1/2 times as likely to be local staff as State staff. No State reported conducting a

structured evaluation of the usefulness of vendor training.

- o Food instrument processing. Fourteen percent of the States use a completely manual process to issue food instruments; another 14 percent use some level of on-line computer-generated issuance. Most other States use some combination of computer-generated batch-process and manually issued food instruments.
- o Overcharge edit policy. Thirty-nine States reported that they flag food instrument overcharges, and they delineated at least 29 methods for doing so. One method to determine overcharges is to collect vendors' specific shelf prices quarterly or more frequently, but over 50 percent of the States do not do this.
- o Representative monitoring. Routine monitoring activities are performed most frequently by local staff and tend to focus on routine transactions with WIC participants. Over 90 percent of the States interview store personnel, review food instruments for accuracy, check WIC inventory, and observe store operations. In FY 1987, individual States conducted from zero to 2,196 representative monitoring visits, for a nationwide total of 20,012.

Procedures for Prevention, Detection, and Correction of Vendor Fraud and Serious Forms of Abuse

- o Prevention. States that focus on preventing abuse of the WIC Program usually depend principally on vendor selection criteria and vendor training. Only 10 States (20%) reported the number of potentially abusive vendors

not authorized as a result of preventive measures; the average number was 144.

- o Identification of high-risk vendors. In identifying high-risk vendors, 90 percent of the States depend heavily on the tips, complaints and the review of statistical indicators. Many of the State statistical reports are not automated and are not used to identify high risk vendors.
- o High-risk investigation. When high-risk investigations are undertaken, a compliance buy is frequently used. Seventy-three percent of the States use compliance buys as at least one of their methods of investigation. Eighteen percent conduct an audit. Most States use WIC State agency or local agency staff to conduct high-risk investigations, but 22 percent rely on contract investigators.
- o Outcomes of high-risk investigations. States reported that compliance buys, audits, and other on-site investigations detected instances of vendors providing unauthorized foods, charging for food items not provided, not recording data on the food instrument at the time of purchase, stocking insufficient quantities of WIC foods, and charging prices in excess of the shelf price.
- o Corrective actions. In order to penalize or correct abusive behavior, WIC agencies may issue warning letters or impose sanctions, usually a period of disqualification from the program. Twenty-one States (43%) use a penalty point system to determine when a

sanction will be imposed. All States have some system by which vendors may appeal sanctions.

Factors That Affect State Vendor Fraud and Abuse Control Activities

- o Approximately half of the States said that a lack of staff and resources inhibit vendor fraud and abuse control; 12 percent of the States cited the high quality of State agency staff was helpful in controlling vendor fraud and abuse.
- o Twenty-five percent of the States identified a lack of automation or inadequate automation as a factor that inhibits their abuse control activities; 14 percent believed that their automated data system was a strength in controlling fraud and abuse.
- o Twenty-two percent of the States indicated that the administrative funds available were inadequate to do all that was needed to improve fraud and abuse control efforts.

Vendor Management Staffing and Costs

- o Most vendor management staff time is expended on routine food instrument processing and vendor monitoring, authorization, and training. The least amount of staff time is expended on corrective actions.
- o Only about half of the States reported using local staff for vendor management activities, yet nationwide local staff expend about 30 percent more time on these activities than State staff.

ACKNOWLEDGMENTS

This final report is the product of several years of effort by many people in several organizations. While it is not possible to thank them all, we would like to acknowledge the work of several individuals who contributed to this study.

First and foremost, we thank the State WIC Directors, Vendor Coordinators, and others who took time from their busy schedules to respond to the survey. Their cooperation and eagerness to help during the telephone interview and data verification were greatly appreciated. Special mention is due the WIC officials who helped in the pilot test of the survey instruments: Frank Maisano, Pennsylvania WIC; John Smith and Pat F. DeFusco, Rhode Island WIC; and John Nickerson, South Carolina WIC. We also thank Loren Bell, Arthur W. Burger, and Linda Yates for their contribution as the Project Advisory Panel.

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Applied Management Sciences, Inc., contributed to data management, conducted several of the telephone surveys, and provided graphics for the 1988 National Vendor Managers' Meeting. Joe Casey and Sara Edmunson were responsible for the subcontract.

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1. INTRODUCTION

1.1 PURPOSE

In an era of increasing emphasis on fiscal accountability and control, the Food and Nutrition Service (FNS) is concerned with improving cost controls in the Special Supplemental Food Program for Women, Infants and Children (WIC). Food purchases represent the largest single expenditure in the WIC Program's budget, accounting for 80 percent of the funds expended each year. Therefore, retail food stores and other food delivery systems have been an important focus of Federal and State efforts to strengthen accountability and prevent loss of program funds through error, fraud, and abuse.

FNS has taken action to improve vendor management through regulations and technical assistance to States. However, since WIC is federally funded but State managed, States have considerable discretion in administering the program and designing service delivery. The impact of FNS actions on improving vendor management and reducing the potential for fraud and other serious forms of abuse has been difficult to assess. This is largely because the various vendor management practices employed by State administrative agencies have not been adequately identified and described.

The WIC Vendor Management Systems and Practices study was initiated to meet this need for information. The purpose of the study, conducted under contract to FNS by Professional Management Associates, Inc. (PMA) and its subcontractor, Applied Management Sciences, Inc. (AMS), is to provide a comprehensive description of the vendor management systems used in WIC State agencies. The study is limited to agencies in the 48 States and the District of Columbia that use retail purchase to distribute WIC supplemental foods. The study reports data for fiscal year 1987.

1.2 VENDOR MANAGEMENT ISSUES

WIC Program regulations allow WIC State agencies to operate three types of food delivery systems: retail purchase, home delivery, and direct distribution. The focus of the WIC Vendor Management Systems and Practices is the retail purchase system, the principal method for delivering food. It is used by all but two States, and nationwide accounts for approximately 88 percent of WIC food delivery. In the retail purchase system, the WIC agency provides food instruments (i.e., checks, vouchers, or coupons) to WIC participants which the participants then redeem for the prescribed foods. Food instruments are redeemed at authorized grocery stores and pharmacies.

Vendor management refers to all the activities involved in coordinating an effective retail delivery system. This study defined vendor management issues as falling into two categories:

- o Basic operations and representative monitoring
- o High-risk monitoring

Basic operations include the vendor management activities that each State now performs -- selection, authorization, and training of vendors; food instrument processing and payment of vendors; and representative monitoring, or routine activities to monitor vendor operations and claims. High-risk monitoring includes activities undertaken by the States to identify and investigate the vendors most likely to be engaged in activities that defraud or abuse the program and, further, to sanction offenders.

This study also examined factors that may affect State efforts to control vendor fraud and abuse. This mix of legal, political, organizational, and attitudinal factors that may make it easier or harder for States to detect and control fraudulent activities by vendors. Finally, the cost and staffing section investigates the

cost of the various vendor management activities to State agencies in dollars and person-hours.

The study used a two-part data collection instrument administered to the 49 State WIC Agencies in the study. The first part, a mail survey, requested information on a variety of vendor management topic areas, including selection and training of vendors, food instrument redemption, representative and high-risk vendor monitoring, sanctions and appeals, details about program costs and staffing, and opinions on factors that promote or hinder their monitoring effort. The second part, a telephone interview, solicited additional detailed information on methods used to detect, investigate, and control WIC vendor fraud and serious forms of abuse. The study methodology is described in Appendix D.

1.3 RESEARCH OBJECTIVES

To develop a complete description of State and local vendor management practices, the study focused on the following research objectives and questions:

1. Gather current information about the basic operations and representative monitoring activities of all key aspects of State vendor management systems.
2. Identify high-risk monitoring systems currently used by States to detect, control, and impose sanctions for vendor fraud and serious forms of abuse.
3. Identify legal, political, organizational, and attitudinal factors that affect the development and implementation of WIC vendor fraud control activities by the States.

4. Identify the costs associated with WIC vendor management and their estimated allocation among the vendor management task areas.

2. BACKGROUND

2.1 WIC: PURPOSE AND HISTORY

WIC is a nutrition program that provides supplemental foods, nutrition education, and health care referrals for low-income pregnant, postpartum, and breast-feeding women; infants; and children under 5 years of age. Persons who meet income criteria and are judged by medical or nutrition professionals to be at nutritional risk because of medical risk factors or patterns of inadequate nutrition are eligible to receive individually prescribed supplements of high-protein, high-mineral, and high-vitamin foods. In 1988, the average food supplement allotted represented the equivalent of about \$33.00 each month.

WIC was first authorized on an experimental basis in 1972 by amendment of Section 17 of the Child Nutrition Act of 1966. In 1973, Public Law 93-156 continued WIC through fiscal year (FY) 1975. In 1975 WIC was extended by Public Law 94-105 through FY 1978. In 1978, the Child Nutrition Amendments were signed into law containing provisions for continued funding for the WIC Program. In FY 1987, the WIC Program served an average of 3.4 million participants per month, at a cost to the Federal Government of \$1.7 billion.

The United States Department of Agriculture (USDA) awards grants-in-aid to States for use in operating the WIC Program. Each State is responsible for administering the WIC Program within its jurisdiction. This generally includes awarding subgrants to local agencies, which must be public health or welfare agencies or nonprofit agencies that contract to provide ongoing health services. Since WIC is not an entitlement program, cost inefficiency or misuse of funds means that fewer eligible persons can be served.

One major goal of the WIC Program is to provide participants with supplemental food. Several objectives support this goal,

including ensuring the availability of WIC-approved foods, lowering the cost of providing foods to participants, and preserving participant access to stores. Vendor management policies must attempt to balance all of these objectives. WIC agencies must ensure that vendors have sufficient stocks of foods to honor vouchers and must also take into account store locations and hours of operation. Additionally, agencies may attempt to authorize only low-priced vendors.

WIC administrative and service expenses are limited to 20 percent of the annual program appropriation, so vendor management initiatives must compete for scarce resources with other administrative activities, including nutrition education. As a result, States give varying degrees of emphasis to such issues as vendor fraud and cost containment and use different approaches to vendor management.

Because the WIC Program is administered by the States, the programs reflect the organizational, political, and economic conditions in each State. State agency officials may resist Federal efforts to impose fiscal controls by encouraging more aggressive vendor management. In other cases, officials may welcome new vendor management initiatives, technical assistance, and regulations, because they may enable States to implement reforms that otherwise might not be possible. As a result of varying State conditions and the wide discretion allowed, vendor management activities vary widely across the States.

2.2 EFFORTS TO ADDRESS VENDOR MANAGEMENT

In 1980, the USDA's Office of the Inspector General conducted an audit of WIC.¹ The audit showed weaknesses in State-level WIC management in areas such as vendor monitoring, financial management, and program accountability and in Federal monitoring of State agencies. One recommendation was that FNS ensure that State agencies use effective vendor management techniques and procedures.

In response to the Inspector General's 1980 report, in 1982 FNS issued final regulations (7 CFR Part 246) that increased the States' fiscal accountability for food delivery operations and encouraged them to prevent loss of program funds through vendor fraud and serious forms of abuse. The regulations required that the States conduct periodic reviews of vendor qualifications; increase the specificity of vendor agreements; have explicit goals for vendor training; improve vendor monitoring requirements; and implement more stringent rules on review of food instruments for overcharges or errors. These rules also permitted the States to limit the number of participating vendors and to use up to half of the funds recovered from vendor overcharges for administrative purposes.

To implement these regulations, FNS produced a training videotape, and all Regional Offices conducted workshops or issued guidance on the regulations. In addition, FNS funded two studies

¹"Food and Nutrition Service Special Supplemental Food Program for Women, Infants and Children Food Instrument Delivery System," Audit Report No. 27623-1-Ch, October 1, 1980.

on vendor management,^{2,3} and disseminated the results to all State agencies.

FNS also issued instructions to WIC State agencies to clarify procedures for sharing vendor information between the WIC and Food Stamp Programs. In addition, FNS supported special reports and technical assistance efforts to assist States in their vendor monitoring efforts. In 1985, the Agency undertook a major new initiative, Focus on Management, to promote efficiency and excellence in WIC Program management. Vendor management was one of the three areas of focus in this initiative.

Many of the requirements of the 1982 regulations were stated as goals to be attained rather than specific procedures to be followed. The regulations required the States to submit annual vendor monitoring reports beginning in 1983, and the FNS Supplemental Food Programs Division has prepared annual reports analyzing the vendor monitoring data submitted by WIC State agencies. However, the results of the vendor monitoring reports have not yielded nationally comparable data. Variations in State criteria for identifying vendor overcharges and conducting monitoring visits and compliance purchases have prevented comparisons among States and the aggregation of data on a national basis. In addition, the reports do not have information on the amount of money involved in overcharges or the number of vendors responsible for various violations.

Thus, while FNS recognized a need for increased accountability and monitoring of State vendor management activities and invested considerable resources in addressing this concern, the Agency lacked information on the results of its efforts and on the

²Arthur Burger and Stephen Stollmack, "WIC State Agency Guide to Vendor Monitoring and Fraud and Abuse Control," Analogs, Inc., FNS Grant #59-3198-0-96, April 1982.

³Massachusetts Department of Public Health, "The ARVA High-Risk Vendor System: A Technical Assistance Guide" (Applied Research on Vendor Abuse Project), June 1985.

response of States to the 1982 regulations. The WIC Vendor Management Systems and Practices study originated from this need to develop a comprehensive nationwide description of WIC vendor management practices.

2.3 RELATED STUDIES

A common theme throughout the literature on vendor management is the increased attention on control of vendor fraud and abuse in Federal programs. Congressional activity has included public hearings, committee investigations and reports, requests for General Accounting Office investigations, and legislation with explicit fraud and abuse control provisions. Agency activity has included writing new regulations and sponsoring several vendor management studies.⁴

In 1978, the U.S. Department of Justice sponsored a review of 15 Federal programs examining their vulnerability to fraud and abuse.⁵ Through a comprehensive survey of Federal, State, and local administrators of these programs, this study documented the occurrence of fraud and abuse by vendors and identified types of control strategies used by these programs in the late 1970s. The 10 strategies identified included procedures used to control fraud and abuse by both participants and vendors:

- o Education/training
- o Legislative support
- o Quality control

⁴See, for example, "Vendor Management Strategies: Potential for Transfer to the WIC Program," Report of Task 6, FNS Contract No. 53-3198-5-33, Professional Management Associates, Inc., September 1986.

⁵Andrea Lange and Robert Bauers, editors, "Fraud and Abuse in Government Benefit Programs," U.S. Department of Justice, National Institute of Law Enforcement and Criminal Justice, November 1979.

- o Investigation
- o Financial auditing
- o Harassment
- o Civil and criminal prosecution
- o Administrative and adjudication remedies
- o Organizational redesign
- o Research

FNS also sponsored two studies related to WIC vendor management. The first study, the "WIC State Agency Guide to Vendor Monitoring and Fraud and Abuse Control,"⁶ was intended to better define vendor fraud and abuse. Areas of vulnerability cited in the study included vendor overcharges, exchange of cash for food instruments, and purchase of ineligible items. The report found that:

- o Lack of common monitoring practices among States precluded establishment of national standards.
- o States were unable to estimate program losses resulting from waste, fraud, and abuse.
- o Monitoring data from redemption of individual food instruments were not used to develop vendor profiles.
- o States placed too much emphasis on routine vendor monitoring and not enough on targeted investigation and sanctions.

FNS's second study, "The ARVA High-Risk Vendor System: A Technical Assistance Guide,"⁷ was based on a high-risk vendor screening program developed in Massachusetts. This study helped validate the accuracy of several high-risk indicators that were then in use:

⁶Burger and Stollmack, op. cit.

⁷Massachusetts Department of Public Health, op. cit.

- o Redemption price variance analysis
- o High-average-price redemptions
- o Redemptions at the same price or at set prices

While the ARVA study was being conducted, State WIC vendor coordinators in the FNS Southeastern Region compiled "The WIC Papers,"⁸ a guide for vendor management administrators. This book listed "best practices" related to vendor management in the WIC program and outlined the many functions included in vendor management.

A more recent investigation showed USDA's continuing concern with fraud and abuse as well as with the wide range of State practices. In an audit report, the Office of the Inspector General documented the results of WIC-authorized store investigations that revealed considerable variability in the accuracy of the dollar amounts charged to WIC.⁹ While the report recognized that FNS had made efforts to improve vendor monitoring over the prior few years, it noted that overall management should be improved at all levels by strengthening monitoring and regulations.

One other recent study, conducted as a preliminary study to the current project, reviewed vendor management practices in the Medicare, Medicaid, and Food Stamp programs and in VISA/MasterCard. It identified the following practices and procedures as particularly useful for WIC vendor management:

- o Development of a violation-prone profile
- o Creation of independent administrative units for fraud and abuse investigations

⁸The Merchant Coordinators of the Southeast Region, "The WIC Papers: Best Practices for Merchant Management," December 1985.

⁹"Food and Nutrition Service Special Supplemental Food Program for Women, Infants and Children: Vendor Monitoring and Food Instrument Delivery Systems," Audit Report No. 27661-2-Ch, June 1988.

- o Tightening vendor authorizations and selection criteria
- o Enforcement and strong vendor sanctions
- o Use of statistically-based automated edits for review of vendor claims

These studies and audits reinforced the need for a comprehensive study of vendor management practices that was national in scope and focused on describing current practices in the States.

3. FINDINGS

This chapter presents a comprehensive description of WIC State agency vendor management systems. To address FNS' particular interest in State systems for controlling vendor fraud and serious forms of abuse, it provides a detailed account of methods for identifying and detecting high-risk vendors. It also includes a description of State vendor management activities that are designed to prevent serious vendor offenses.

The discussion of State WIC vendor management practices is organized according to the study's four research objectives:

1. Gather current information about the basic operations and representative monitoring activities of State vendor management systems.
2. Identify high-risk monitoring systems currently used by States to detect, control, and impose sanctions for vendor fraud and serious forms of abuse.
3. Identify legal, political, organizational, and attitudinal factors that affect the development and implementation of WIC vendor fraud control activities by the States.
4. Identify the costs associated with WIC vendor management and their estimated allocation among the vendor management task areas.

Selected results are presented in tabular form in this chapter.

The total number of States responding to the survey was 49. The total number of responses may exceed 49 on some tables since States could respond to more than one category on several questions. In other tables the total number of States reporting does not equal 49 because not all States responded to the question.

3.1 CHARACTERISTICS OF WIC STATE AGENCY BASIC OPERATIONS AND REPRESENTATIVE MONITORING ACTIVITIES

For this analysis, WIC State agencies' basic operations have been divided into four major components:

- o Vendor selection and authorization
- o Vendor training
- o Food instrument processing and redemption
- o Representative monitoring

All WIC State agencies perform to some degree the management activities of each component. States vary, however, in the emphasis they place on individual components and the activities they conduct within each component. This section describes WIC State agencies' approach to conducting the basic operations of vendor management.

3.1.1 Vendor Selection and Authorization

WIC State and local agencies both have responsibility for vendor selection and authorization activities. In most States the WIC State agency is responsible for developing vendor selection criteria, reviewing applications, selecting and authorizing vendors, and obtaining signed vendor agreements. In the majority of States the preauthorization site visit is conducted by the local agency or clinic, but the WIC State agency performs this activity in 33 percent of the States. Table 3-1 shows the number of States that perform each of these activities.

WIC agencies report that for their vendor authorization process, the following six objectives are among the most important:

- o Reduce the risk of selecting fraudulent vendors
- o Establish vendor price levels
- o Establish vendor minimum stock levels

Table 3-1
State Agencies are Primarily Responsible for Selected Vendor Management Activities

Vendor Management Activity	Regional/ State Agencies	District Authorities	Local Agencies	Local Clinics	Both Reg/State and Local Agencies	Both Local Agency and Local Clinics
Developing selection/limitation criteria	48	0	1	0	0	0
Appeals	46	0	0	0	1	0
Fraud and abuse investigations	44	2	0	0	3	0
Making payments to vendors	44	0	1	0	0	0
Reviewing reports on vendors	42	2	0	0	5	0
Sanctions	42	2	1	0	3	0
Vendor selection	38	1	7	0	3	0
Vendor authorization and reauthorization	37	1	9	0	2	0
Reviewing vendor applications	34	1	10	0	4	0
Signing agreements with vendors	31	1	14	0	3	0
Vendor training	19	1	22	1	5	0
Representative monitoring	17	1	24	2	4	1
Conducting preauthorization site visits	16	1	28	2	1	1

Note: In cases where the number of States does not equal 49, the data are missing.

- o Limit the number of WIC vendors
- o Limit the type of WIC vendors
- o Increase participant convenience

Each of these objectives forms the basis for vendor selection and authorization in at least two-thirds of the States (Table 3-2). Two objectives -- increasing participant convenience and reducing the risk of selecting fraudulent vendors -- are considered in all but one State.

Authorization of WIC vendors is most often determined on the basis of one or more of the following five criteria:

- o Minimum WIC-approved food stock requirement
- o Acceptable past Food Stamp Program (FSP) performance
- o Acceptable past WIC performance
- o Acceptable WIC food shelf prices
- o Geographic accessibility to participants

These five criteria represent minimum standards that must be met for authorization to be granted in at least 69 percent of States. (Table 3-3). At least 90 percent of the States use minimum standards concerning past performance in the Food Stamp or WIC Programs. All States use minimum standards for vendor WIC stock. Three-fourths of the States use minimum standards for vendors' prices for WIC foods, and 69 percent of the States use minimum standards concerning the geographic location or accessibility of the vendor's outlet. One other criterion, past legal or criminal performance, is used in vendor authorization in 39 percent of the States, and other kinds of standards, such as acceptable sanitation and store hours, are used in a small percentage of States.

Forty-one percent of the States report that they have a limitation policy in effect; that is, only a certain number of vendors may be authorized. When that number is reached, even otherwise eligible vendors are not authorized. To establish this limit, a State generally applies a formula that takes into account

Table 3-2. States Have Multiple Vendor Authorization Objectives

Objective	Number of States	Percent of States
Increase participant convenience	48	98
Reduce risk of selecting fraudulent vendors	48	98
Establish vendor price levels	46	94
Limit the number of WIC vendors	43	88
Limit the type of WIC vendors	39	80
Establish minimum vendor stock levels	34	69
Business within State boundary	1	2
Equal access to qualified vendors	1	2
Food Stamp authorization	1	2
Maintain sanitary conditions	1	2

Table 3-3. WIC State Agency Use of Authorization Standards

Standard	Number of States	Percent of States
Stock	49	100
Past Food Stamp performance	45	92
Past WIC performance	44	90
Prices	37	76
Geography/accessibility	34	69
Past legal/criminal performance	19	39
Sanitation	7	14
Store hours	5	10
Accurate application provided	3	6
Current permits and licenses	3	6
Other	7	14

such factors as the number of WIC clinic sites, geographic distribution, or number and location of participants. In choosing vendors to authorize for the limited number of designated slots, States use criteria similar to those they use to select qualified vendors when there is no limit -- for example, competitive prices, adequacy of WIC food inventory, store location, store type, and the sanitary conditions of the store. Store location, adequate inventory, and competitive prices are used by most of the States that limit the number of vendors authorized. Table 3-4 shows the number of States that use each criterion.

Procedures that States use for selecting and authorizing WIC vendors are fairly uniform across the States. The majority of States use a standard vendor authorization packet that includes a program description, directions for applying, and an authorization contract. All States conduct a visit to the vendor's outlet at initial authorization.

For initial authorization, States vary in the type of information they use to determine vendors' acceptability and the method they use to obtain it. The following types of information are checked most often:

- o Price levels
- o WIC inventory
- o Store location
- o Store hours
- o Store type
- o Store size
- o Food Stamp Program authorization
- o Sanitary conditions of the store
- o Ownership information

This information is checked either during the visit to the vendor's outlet or by reviewing the vendor's application at the office. Some States check certain types of information, such as price

Table 3-4. States Use of Various Vendor Limiting Criteria

Criterion	Number of States	Percent of States
Store location	20	41
Adequacy of WIC food inventory	19	39
Competitive prices	19	39
Sanitary conditions	16	33
Store hours	16	33
Food Stamp Program authorization	14	29
Store type	14	29
Store size	13	27
Other	8	16

levels and WIC inventory, through both methods. States check price levels by both methods more than any other type of information, but even for price levels, only 47 percent of the States use both methods. The store's sanitary condition is checked in over 70 percent of the States, usually during the visit to the vendor outlet being considered for authorization. WIC inventory, store location, store type, and store size are also checked by many of the States during the visit to the vendor. The number of States that check each type of information and the method they use to check it are shown in Table 3-5.

Most States use the same criteria for vendor reauthorization as they use for initial authorization. However, only 47 percent of the States conduct a visit to the vendor at the time of reauthorization, and 43 percent allow automatic reauthorization of vendors.

During fiscal year 1987, WIC State agencies received first-time applications from approximately 6,071 vendors and granted authorization to 4,896 (81%). Approximately 22,060 vendors applied for reauthorization during FY 1987, and approximately 21,544 (98%) were granted authorization (Table 3-6). The total authorized vendor population was 50,928. Authorization is granted for one year by 53 percent of the States and for two years by 25 percent; the remaining States use other periods of authorization.

Vendors that are denied authorization can appeal this decision to the State appeals officer in 74 percent of the States and to the local appeals officer in 6 percent of the States. An administrative law judge hears denial appeals in 6 percent of the States. (Tables 3-7 and 3-8 show the pattern of State practice in these areas.)

3.1.2 Vendor Training

Vendor training is conducted by the WIC State agency in 39 percent of the States and by the local agency in 45 percent of the

Table 3-5. Time When Information Is Checked for First-Time Applicants

Application Information	During Vendor Visit		Office Review		Visit and Office	
	Number of States	Percent of States	Number of States	Percent of States	Number of States	Percent of States
Sanitary condition of store	36	74	1	2	6	12
Adequacy of WIC food inventory	30	61	1	2	18	37
Store location	30	61	2	4	11	22
Price levels	21	43	2	4	23	47
Store type	20	41	12	25	9	18
Store size	19	39	8	16	8	16
Store hours	15	31	14	29	8	16
Ownership information	6	12	28	57	5	10
Food Stamp Program authorization	4	8	27	55	8	16
Gross annual sales level	3	6	19	39	0	0
Other	2	4	7	14	0	0

Table 3-6. Most Applying Vendors Are Authorized

Application Category	Range of Applying Vendors Per State	Total Number of Applying Vendors	Range of Authorized Vendors Per State	Total Number of Authorized Vendors
First-time applicants	0 - 862	6,071	0 - 747	4,896
Reauthorizations	0 - 2531	22,060	0 - 1876	21,544
Reapplicants following disqualification from WIC	0 - 291	241	0 - 164	182
Total number of applicants and reapplicants		28,372		26,622

Note: Forty of 49 States reported data for first-time applicants and reapplicants. Six States did not maintain data about applications in a form that could be reported; the data for 3 States are missing.

Table 3-7: Duration of Vendor Authorization

Duration	Number of States	Percent of States
One year	26	53
Two years	12	25
From 6 months to 4 years	4	8
Until the end of current effective year	3	6
Other	4	8

Table 3-8. The States Appeals Officer Hears Authorization/Denial Appeals in Most States

Level	Number of States	Percent of States
State appeals officer	36	74
Administrative law judge	3	6
Local appeals officer	3	6
Contracted WIC appeals officer	2	4
Other	5	10

States. Both State and local agencies are responsible for vendor training in 10 percent of the States, and district authorities or local clinics provide vendor training in 4 percent of the States (Table 3-1). The topics emphasized during training tend to be routine procedures, such as WIC transactions, food instrument redemption procedures, or WIC inventory requirements. States most often determine the need for training on the basis of a request from the vendor or the results of a representative monitoring visit. Eighty percent of the States initiate training as a response to findings during a high-risk monitoring visit. The majority of training sessions are conducted during in-store meetings or conferences, and the effectiveness of these training efforts is assessed through informal feedback from the vendors. Data on States' vendor training activities are provided in Tables 3-9, 3-10, 3-11, and 3-12.

3.1.3 Food Instrument Processing and Redemption Procedures

Processing and payment of food instruments is a centralized component of vendor management activity in almost all States. Only one State reported that making payments to vendors is a responsibility of the local agency (Table 3-1). Fifty-seven percent of the States use a combination of computer-generated batch-process and manually issued food instruments (FIs). They issue manual FIs to new applicants or to replace computer-generated FIs that have been lost. Fourteen percent use a batch system only, and another 14 percent use a manual process only. Eight percent use both a manual and on-line system, and 4 percent use a combination of all three -- manual, batch, and on-line. One State uses only on-line computer systems to issue FIs (Table 3-13).

WIC State agencies use a number of tests or edits to verify the completeness, accuracy, and validity of FIs that vendors submit for redemption. In a majority of States, these edits are performed by an automated food instrument processing system. In about half

Table 3-9. Many Sources Are Used in Determining Vendor Training Needs

Source	Number of States	Percent of States
Requests from vendors	45	92
Results of representative monitoring	43	88
Results of high-risk monitoring	39	80
Federal WIC regulations	36	74
Review of redemption data	36	74
Review of monitoring and sanction data	31	63
Following educational visit to vendor	29	59
State regulations	25	51
Complaints from participants	3	6
Following authorization and reauthorization	3	6
Requests from local agencies	3	6
Program changes	2	4
Following changes in store management	1	2

Table 3-10. Topics Emphasized by States When Training Vendors

Topic	Number of States	Percent of States
Food instrument redemption procedures	47	96
WIC transactions	47	96
WIC inventory requirements	41	84
Penalties and sanctions for noncompliance	40	82
Procedures for appeals	19	39
Maintenance of WIC records	16	33
Authorized food requirements	5	10
Nutritional aspects of authorized foods	2	4
Vendor authorization	2	4
Other	7	14

Table 3-11. Methods Used by States When Training Vendors

Method	Number of States	Percent of States
Written materials	48	98
In-store meetings/conferences	47	96
Out-of-store meetings/conferences	31	63
Audiovisual materials	28	57
Specialized technical assistance	25	51
Vendor hotline	19	39
Compliance buys	11	22
Vendor newsletter	4	8
Educational buys	2	4
Other	3	6

Table 3-12. Methods Used by States to Determine Training Effectiveness

Method	Number of States	Percent of States
Informal feedback from vendors	42	86
Record review	21	43
Compliance buys	20	41
Statistical indicators --		
Redemption error rates	9	18
Average prices on food instrument claims	3	6
Number of rejected food instruments	3	6
Number of overcharges	2	4
Variance	2	4
Number of food instruments flagged	1	2
Written tests of knowledge, policies, and practices	13	27
Feedback from participants	6	12
Monitoring visits	6	12
Complaints	4	8
Educational buys	4	8
Evaluation forms completed by vendor	4	8
Other	6	12

Table 3-13. Types of Food Instrument Generation Used by States

Type of Food Instrument	Number of States	Percent of States
Manual and computer-generated batch	28	57
Computer-generated batch only	7	14
Manual only	7	14
Manual and computer-generated on-line	4	8
Manual and computer-generated batch and on-line	2	4
Computer-generated on-line only	1	2

of these States, this system is part of the State agency's facilities. In one State, local agency staff conduct these edits. In the remaining States, the FIs are edited by a bank or computer firm under contract to the State agency. The following are edits used by 25 or more States:

- o Redemption cost exceeds food instrument value
- o Improper signature on food instrument
- o Reimbursement date is after expiration date
- o Reimbursement date is before date valid
- o Vendor not authorized to participate in WIC program
- o Redemption claim exceeds current price data
- o Missing or illegible data on food instrument
- o Missing or illegible serial number

The number of States that use these and other edits, and the agency or organization that conducts the edit, are shown in Table 3-14.

Forty-two States (86%) report having a system to edit FIs to identify potential overcharges (Table 3-15). In 79 percent of these States, the WIC State agency has sole responsibility for determining of potential overcharges. In nine percent of these States, screening for overcharges is performed by the FI contractor; in five percent of these States, a bank carries out the screening procedures.

Ninety-three percent of the States that have overcharge systems use one of the routine edits -- the comparison of the redemption claim to current price data -- or a similar procedure to identify potential overcharges (Table 3-16). (States define "current price data" in a wide variety of ways. "Current" could mean monthly or annually, and "price" could mean actual shelf price or could be extrapolated in a variety of ways from redemption data.) One State identifies potential overcharges on the basis of

Table 3-14. Summary of State Practices in Processing Food Instrument Redemptions

Check or Edit	States Performing Test Number of States	Percent of States	Test Performed By			
			State Agency	Contractor Banks	State Bank	Local Agency
Purchase amount exceeds value of food instrument	49	100	21	23	3	1
Food instrument is not properly signed	45	92	18	21	4	1
Reimbursement date beyond expiration date	44	90	19	20	4	0
Purchase date before valid date	41	84	16	16	5	1
Vendor not authorized at time of purchase	40	82	19	15	4	1
Comparison of claim value against current food price data	32	65	25	6	1	0
Missing or illegible purchase date	31	63	13	12	3	1
Missing or illegible serial or claim number	29	59	12	13	3	1
Analyses to detect changes in redemption rates (e.g., month-to-month or quarter-to-quarter)	22	45	18	3	0	0
Comparison of average claim value of individual outlets to average claims for similar outlets	16	33	13	3	0	0
Comparison of redemption rates and values for different types of vendors	13	27	11	1	1	0
Alterations	2	4	1	0	0	0
Missing or illegible vendor stamp	2	4	1	0	0	0
Other	3	6	3	0	0	0

Note: In cases where the numbers do not equal 49, the data are missing.

Table 3-14. Summary of State Practices in Processing Food Instrument Redemptions (cont.)

Check or Edit	When Test Performed			Purpose of Test		
	Pre-payment	Post-payment	Both	Detect FI Error	Identify Vendors	Both
Purchase amount exceeds value of food instrument	29	14	6	13	6	29
Food instrument is not properly signed	29	10	6	16	1	26
Reimbursement date beyond expiration date	27	10	6	16	2	25
Purchase date before valid date	23	12	5	12	2	24
Vendor not authorized at time of purchase	25	11	4	4	11	23
Comparison of claim value against current food prices	8	22	2	3	7	21
Missing or illegible purchase date	21	6	4	11	0	19
Missing or illegible serial or claim number	19	4	6	16	2	11
Analyses to detect changes in redemption rates (e.g., month-to-month or quarter-to-quarter)	1	19	1	1	13	8
Comparison of average claim value of individual outlets to average claims for similar outlets	.1	12	3	0	7	9
Comparison of redemption rates and values for different types of vendors	0	12	1	0	9	4
Alterations	1	0	0	1	0	0
Missing or illegible vendor stamp	1	0	0	0	0	0
Other	2	2	0	2	2	0

Note: In cases where the numbers do not equal 49, the data are missing.

Table 3-15. Who Determines Vendor Overcharging

Determined by	Number of States	Percent of States
State agency	33	67
FI processing contractor	4	8
Bank	2	4
Both State and local agencies	2	4
N/A--prepayment edit used	2	4
Local agency	1	2
No response	1	2
No system	4	8

Table 3-16. Methods Used to Determine Vendor Overcharging

Method	Number of States	Percent of States
Redemption value exceeds highest price	39	93
Audit	1	2
Cost estimate vs. redemption	1	2
No response	1	2

Note: Percentages are based on the 42 States that have an overcharge system.

an audit. Eighty-six percent of the States that have overcharge systems screen all vendors for overcharges (Table 3-17). Over half of the States that screen for overcharges conduct the screening procedure quarterly or more frequently (Table 3-18).

3.1.4 Representative Monitoring

Representative monitoring includes a number of more or less routine activities that States use to ensure vendor compliance with WIC regulations -- making visits to vendors, checking food instruments on hand, checking shelf prices, and so forth. This section examines States' widely varying representative monitoring practices.

Local agencies or clinics are primarily responsible for representative monitoring in approximately half of the States. The WIC State agency has primary responsibility for representative monitoring in approximately one-third of the States. In the remaining States, State and local agencies share responsibility for representative monitoring with local agencies and clinics. The actual distribution of responsibility for representative monitoring among WIC State agencies and local agencies and clinics is shown in Table 3-1.

Thirty-seven percent of the States conduct representative monitoring for all vendors; the remaining States use a variety of methods to select vendors for representative monitoring, and most States use more than one method. From 41 to 49 percent of the States select vendors for representative monitoring on the basis of a random sample, review of redemption statistics, or review of WIC redemption volume, or they monitor vendors on a rotation basis. About two-thirds of the States report conducting a representative monitoring visit in response to a complaint by another vendor or a participant. The number of States that use each method of selection is given in Table 3-19.

Table 3-17. Percent of Vendors Systematically Screened for Overcharges

Percentage	Number of States	Percent of States
100 percent	36	86
20 percent	3	7
10 percent	1	2
2 percent	1	2

Note: Percentages are based on the 42 States that have an overcharge system.

Table 3-18. Frequency of Analyzing Overcharges

Frequency	Number of States	Percent of States
Monthly	19	45
Quarterly	5	12
Continuous--tied to redemption	3	7
Annually	2	5
Semiannually	2	5
Daily	2	5
During compliance buys	2	5
Other	3	7
No response	4	10

Note: Percentages are based on the 42 States that have an overcharge system.

Table 3-19. Methods Used to Select Vendors for Representative Monitoring

Method	Number of States	Percent of States
Complaints by other vendors or participants	33	67
Random sample	24	49
Review of vendor redemption statistics	23	47
Rotation basis	21	43
WIC redemption volume	20	41
All vendors receive representative monitoring	18	37
Other	8	16

In the majority of States, staff review either previous monitoring and action documents or records of investigations and complaints prior to conducting a representative monitoring visit. Approximately half of the States review vendor price lists or such vendor characteristics as ownership information or annual dollar volume. Approximately one-quarter of the staff conducting representative monitoring examine a sample of redeemed food instruments prior to the visit.

The activities performed during the representative monitoring visit reflect a focus on performing routine FI transactions with WIC participants and on FI redemption procedures. Over 90 percent of the States perform the following activities:

- o Interviews with store personnel
- o Review of food instruments for accuracy
- o WIC inventory check
- o Observation of store operations

Fewer States include in their representative monitoring visits activities that would detect serious vendor offenses such as charging prices in excess of the shelf price or providing unauthorized food items. For example, only 55 percent of the States compare the redemption value of FIs on hand with shelf prices for food, and only 20 percent conduct some type of compliance buy during representative monitoring visits. Although representative monitoring visits are not intended as a mechanism for detecting serious vendor offenses, 23 States report that they use results of representative monitoring visits to identify high-risk vendors. In the majority of these 23 States, the high-risk vendor behavior most likely to be identified involves only excessive prices. The number of States that conduct each type of review activity and representative monitoring visit activity is shown in Tables 3-20 and 3-21.

Table 3-20. Types of Materials Reviewed in Preparation for a Representative Monitoring Visit

Materials/Information Base	Number of States	Percent of States
Previous monitoring and action documents	45	92
Investigation record, complaints, or WIC Program violations	40	82
Vendor characteristics	28	57
Vendor price lists	23	47
A sample of redeemed food instruments	12	25
Statistical indicators --		
Redemption patterns	11	22
Percent overcharges	2	4
Other	8	16
Check return and excessive check billing	2	4
Other	3	6

Table 3-21. Activities Conducted During Representative Monitoring Visits

Activity	Number of States	Percent of States
Interviews with owner/manager/cashier	48	98
Review of food instruments (FIs) for accuracy	46	94
Observations of store operations	45	92
WIC inventory check	45	92
Specialized technical assistance with a particular problem	43	88
Vendor training	42	86
FI/food price comparison	27	55
WIC records review	23	47
Compliance and education buys	10	20
Check for handbooks, sanitation, hours, discrimination	2	4
Compare vendor's price list to actual shelf price	2	4
Other	5	10

Individual States conducted from 18 to 2,196 representative monitoring visits in FY 1987 for a nationwide total of 20,012. Such visits lasted from 12 to 90 minutes; the average length was 48 minutes.

3.2 PROCEDURES FOR PREVENTION, DETECTION, AND CORRECTION OF VENDOR FRAUD AND SERIOUS FORMS OF ABUSE

Activities that States undertake to prevent, identify, and detect fraud and serious forms of abuse by vendors are called high-risk management efforts. This section describes the types of activities States undertake in each aspect of high-risk management and reviews the types of penalties they impose for fraudulent and abusive behavior by vendors.

3.2.1 Prevention of Fraud and Serious Forms of Abuse

States vary greatly in the emphasis they give to high-risk monitoring. Some take a solely preventive approach; they tend to cultivate cooperation with vendors, establish a local presence through visits or contacts by local agency staff, and facilitate communication with vendors through such mechanisms as a toll-free number for questions or problems, a newsletter, and interaction with the State vendor association. These States also emphasize the importance both of educating vendors on program rules and procedures, reinforced through training sessions, and of using selection criteria to screen out unscrupulous vendors. States that take this approach tend to use less sophisticated statistical indicators for high-risk vendor identification. Many States take a more proactive approach to high-risk vendor identification, detection, and correction, but they first use preventive practices such as selection criteria and intensive training to minimize the number of vendors that will later engage in fraudulent activities.

Vendor training and selection criteria together are the two activities the majority of States use to prevent vendor fraud and serious abuse. States also consider several other activities in their vendor management systems to be preventive measures. These include:

- o Joint WIC/FSP disqualification
- o Use of a sanction and point system
- o Limiting the number of vendors
- o Educating participants on proper checkout procedures
- o Exchanging information with the Food Stamp Program about sanctioned vendors
- o Publicizing investigations

Only 10 States (20%) reported the number of potentially abusive vendors not authorized as a result of preventive measures; the average number was 144. The range of preventive measures taken and the number of States that use them are shown in Table 3-22.

3.2.2 Identification of High-Risk Vendors

In identifying high-risk vendors, States depend primarily on three mechanisms. The first one, which is given a high emphasis in most States, is the review of statistical indicators. These indicators are most frequently based on FI redemption data. The second mechanism is the use of tips and complaints, which is given high or moderate emphasis in 90 percent of the States. The source of this information is most often local agencies, other programs such as the Food Stamp Program, or participants or other vendors. The third mechanism, staff field reports, is given high or moderate emphasis in 94 percent of the States.

Only 18 percent of the States consider vendor characteristics, such as store type or size, store ownership, or WIC history, as a very important source of information in high-risk vendor

Table 3-22. Methods Used to Prevent Vendor Fraud and Abuse

Method	Number of States	Percent of States
Vendor training	25	51
Strong selection criteria	13	27
Joint WIC/FSP disqualification	7	14
Limit number of vendors	6	12
Sanction and point system	6	12
Educate participants on checkout procedures	5	10
Exchange of information with FSP about sanctioned vendors	5	10
Publicize investigations	5	10
Routine FI review	4	8
Annual representative monitoring	3	6
Increased compliance buys	3	6
Certified cashier training	2	4
Strong vendor agreement	2	4
Other	8	16
No other preventive measures taken	4	8

identification. Table 3-23 shows the number of States emphasizing each of these general high-risk management system features.

The States that rely on statistical indicators to identify high-risk vendors use several different types of statistical reports for this purpose. The following reports are used by over 50 percent of the States:

- o List of vendors by WIC volume,
- o Comparison of redeemed price and price list
- o High average FI prices
- o High percentage of high-priced foods
- o Large increase in dollar volume of redemptions

Table 3-24 shows the full range of reports that are used for high-risk identification, the number of States that have each report available, whether or not the reports are automated, whether the reports are produced quarterly or more often, and whether they are used in the State's high-risk system. As this table indicates, some States have such reports available but do not use them for high-risk identification.

Several of the reports used for high-risk identification compare FI prices with vendors' claims. In some cases, the FI prices used in the automated reports are based on current shelf price data, but in others, the FI prices are based on a statewide average for FIs redeemed. States that have not automated their shelf price data must use an estimated price to identify suspect claims, and they then conduct a manual comparison of the suspect FI to shelf price data maintained in a manual file or separate PC data file. The latter practice is used in almost half of the States that use shelf price data in their high-risk identification systems; of the 71 percent that use shelf price data, only 54 percent have those data in automated form.

Not all shelf price data are equally reliable. Among the States that collect shelf price data, 71 percent collect vendor

Table 3-23. States' High-Risk Vendor Management Emphases

High-Risk Management Practice	Emphases					
	High		Moderate		None	
	Number of States	Percent of States	Number of States	Percent of States	Number of States	Percent of States
All FI redemption data	44	90	2	4	3	6
Use of statistical indicators	40	80	1	2	8	16
Field report	18	37	28	57	3	6
Vendor and participant complaints	18	37	26	53	5	10
Exchange of information with other agencies	10	20	16	33	23	47
Information about specific vendors	9	18	22	45	18	37
Manual review of redemption data	6	12	0	0	43	88
Visit to vendors	1	2	1	2	47	96

Table 3-24. Types of Redemption Analysis Reports and Their Use in WIC Vendor High-Risk Data System

Redemption Analysis Report	Have the report		Part of High-Risk System		Produced Quarterly or More Often		Automated	
	Number of States	Percent of States	Number of States	Percent of States	Number of States	Percent of States	Number of States	Percent of States
List vendor by WIC volume	39	80	31	80	37	95	39	100
High average FI prices	33	67	31	94	32	97	33	100
Compare redeemed price and price list	29	59	25	86	26	90	17	59
High percent of high-priced foods	28	57	24	86	26	93	26	93
Large increase in dollar volume of redemptions	26	53	21	81	21	81	18	69
High percent same-price redemptions	20	41	19	95	16	80	15	75
Small variation in FI prices	18	37	15	83	13	72	12	67
High percent of total redemptions in area	14	29	13	93	11	79	11	79
High number of redemptions outside area	13	27	9	69	6	46	9	69
WIC sales high percent of total sales	8	16	7	88	5	63	6	75
High percent consecutive serial numbers	5	10	4	80	5	100	5	100
High percent of manual FI redemptions	3	6	3	100	3	100	2	67
High number of at-risk participants	2	4	2	100	1	50	2	100
WIC and FSP high percent of total sales	1	2	1	100	1	100	1	100

Note: Percents in the second column are based on the total number of States surveyed.
Percents in the remaining columns are based on the number of States that have each report.

-reported prices and 66 percent rely exclusively on shelf price data collected by WIC staff or use such data to validate vendor-reported prices. Of the 35 States that collect shelf price data, 43 percent collect them quarterly and 14 percent monthly; the remaining States collect such data less frequently (Table 3-25).

3.2.3 High-Risk Investigation Methods

Once a vendor has been identified as high-risk, States use one or more of three methods -- compliance buys, audits, or other on-site visits -- to investigate whether serious offenses are being committed or whether there is a reasonable explanation for the unusual or suspicious practice detected by the identification procedures.

Types of Investigation Methods Used. When high-risk investigations are undertaken, the compliance buy is the method most frequently used. Seventy-three percent of the States use compliance buys as at least one of their methods of investigation. Most States that use compliance buys use them as their sole method of investigation. Eighteen percent of the States conduct audits, and all but one of those 18 percent also conduct compliance buys. Fourteen percent of the States do not conduct audits or compliance buys at all, or did not do so in FY 1987. Table 3-26 shows the percentage of States that use each investigation method or combination of methods.

Among States that conduct compliance buys, safe buys and compliance buys that test for minor and major substitution are the types of buys most States use. The safe buy, a simple purchase using FIs correctly, is the most frequently used buy. Most States conduct more than one type of buy. Only 31 percent of the States that conduct compliance buys test for exchanging FIs for cash, which is considered the most serious offense in most States (Table 3-27).

Table 3-25. Summary of Shelf Price Information Used in State High-Risk Systems

Shelf Price Information	Number of States	Percent of States
Source of price information		
Provided by vendor	25	71
Collected by WIC staff	23	66
Obtained from grocers retail association	1	3
Automated	19	54
Frequency of collection		
Monthly	5	14
Quarterly	15	43
Semiannually	6	17
Annually	8	23
Biannually	2	6
Other	11	31

Note: Percentages are based on the 35 States that collect shelf price data. States could respond to more than one item.

Table 3-26. High-Risk Investigation Methods Used

Method	Number of States	Percent of States
Compliance buys	20	41
Compliance buys and audits	8	16
Site visits	4	8
Compliance buys and site visits	4	8
Compliance buys and representative monitoring	3	6
Audits	1	2
Representative monitoring	1	2
Compliance buys and high-risk monitoring	1	2
Investigations were not conducted in FY 1987	4	8
Investigations are not conducted	3	6

Table 3-27. Types of Compliance Buys

Types of Buys	Number of States	Percent of States
Safe buys	32	89
Minor substitution	28	78
Major substitution	23	64
FI for cash	11	31
Other	3	8

Note: Percentages are based on the 36 States that conduct compliance buys.

Table 3-28. Reasons for Using Compliance Buys

Reason	Number of States	Percent of States
Test for suspected offense	14	39
No real basis, appears to be best	5	14
Effective for documenting abuse	3	8
Cheap and safe	3	8
Efficient	2	6
Avoid entrapment	2	6
Recommended in ARVA publication	2	6
Other	5	14

Note: Percentages are based on the 36 States that conduct compliance buys.

Thirty-nine percent of the States conduct the types of buys that they use in order to test for the suspected offenses. An additional 14 percent have no specific basis for using a particular type of buy (Table 3-28).

Staffing of High-Risk Investigations. In the majority of States, high-risk investigations are conducted by WIC State agency or local agency staff. Twenty-two percent of the States use contract investigators, such as Pinkerton's or Wells Fargo, to conduct compliance buys. A few States hire special personnel, such as college students, special agents, or people "off the street," to perform the actual buy, and their Vendor Coordinators oversee compliance procedures. Approximately half of the States that conduct audits use staff from another State agency. The other States that conduct audits have the audits performed by the vendor relations specialists, State WIC staff, special WIC State store investigators, or a fiscal auditor. Virtually all of the staff who carry out on-site high-risk investigations are WIC State or local agency staff. With the exception of the contract investigators and auditors in 6 percent of the States who are accountants, staff who conduct the investigations are trained by WIC State agency staff or through self-instruction. Tables 3-29 to 3-31 show the type of staff who conduct high-risk investigations and the training they receive in investigative methods.

Similarities and Differences in Procedures for Representative and High-Risk Monitoring. The focus of high-risk management activities is prevention, detection, investigation, and correction of vendor fraud and serious abuse. The focus of representative monitoring activities in most States is prevention of fraud and the maintenance of routine program operations, including transactions with WIC customers and FI redemptions. Potentially fraudulent or abusive behavior is most likely to occur in the area of routine program operations, so States can and do detect vendor offenses during the course of routine visits and observations. The types of activities performed during representative monitoring

Table 3-29. Personnel Conducting Compliance Buys

Individuals Who Conduct Buys	Number of States	Percent of States
WIC State agency staff	19	53
Local agency staff	8	22
WIC State agency regional staff	8	22
Contract investigators	8	22
WIC State investigators	4	11
Other State agency staff	3	8
Neighborhood residents or participants	2	6
College students	2	6
Other	6	17

Note: Percentages are based on the 36 States that conduct compliance buys.

Table 3-30. Personnel Providing Compliance Buy Training

Training	Number of States	Percent of States
By WIC State staff	20	56
Investigators already trained	6	17
Already familiar with WIC	2	6
Self-trained	2	6
WIC-familiar plus vendor-specific briefing	2	6
By Food Stamp investigator	2	6
By State police and attorney	1	3
Don't know	1	3
No formal training	2	6

Note: Percentages are based on the 36 States that conduct compliance buys.

Table 3-31. Personnel Conducting Store Audits

Staff	Number of States	Percent of States
Other State agency staff	4	44
Vendor relations specialist	3	33
WIC State subregional staff	2	22
WIC State store investigators	2	22
Fiscal auditor	1	11

Note: Percentages are based on the 9 States that do audits. States could respond to more than one item.

visits are most likely to detect administrative violations. While the program operations targeted by the high-risk system are the same as those addressed by representative monitoring, the type of vendor behavior involved is different and, because it is unauthorized, is likely to be concealed.

State representative and high-risk monitoring activities are most similar in the area of prevention, since both kinds of monitoring emphasize informing vendors about and instructing them in authorized program procedures. Half the States use vendor training as their prevention method. In approximately 50 percent of the States, local agency staff perform vendor training and representative monitoring (Table 3-1).

State approaches to identifying vendors for representative monitoring and high-risk investigations use the same types of information, but with a different emphasis. While two-thirds of the States use tips and complaints as a basis for selecting vendors for representative monitoring (Table 3-19), only 37 percent place a major emphasis on tips and complaints to identify high-risk vendors (Table 3-23). Approximately 48 percent of the States use random sampling or review of redemption statistics to select vendors for representative monitoring. Eighty-two percent of the States report high emphasis on use of statistical indicators to identify vendors for high-risk investigation.

With regard to investigation, 20 percent of the States conduct some type of compliance buy during representative monitoring, while 73 percent of the States conduct compliance buys for high-risk investigations (Tables 3-21 and 3-26). Approximately 41 percent of all WIC vendors received a representative monitoring visit in FY 1987, and approximately 2 percent of all WIC vendors were subjected to a compliance buy during high-risk investigations.

An audit is a much more intensive examination of WIC transactions and FI redemptions than representative monitoring. While most representative monitoring visits review the process involved in these activities, audits performed in most States that

conduct them examine the outcomes, by comparing invoices, prices, and stock to inventory redemptions.

The other on-site high-risk investigations are similar to representative monitoring visits. For example, 39 percent of the States that conduct site visits for high-risk investigations use the same procedures as they use for representative monitoring. In 23 percent, high-risk monitoring investigations include procedures not used in that State for representative monitoring. The remaining 39 percent conduct a site visit investigation designed to collect evidences of offenses, but not involving a compliance buy. How effective the results of the site visit investigations are as evidence in fair hearings is not known. Most States consider compliance buys very effective for this purpose.

Outcomes of High-Risk Investigations. Compliance buys, audits, and other on-site investigations had different detection rates for different violations in FY 1987. Compliance buys are designed to identify vendors who are providing unauthorized foods, charging for food items not received, or not recording data on the FI at the time of purchase. Investigators found a total of 541 instances in 26 States of providing unauthorized foods, 634 instances in 19 States of charging for food items not received, and 467 instances in 14 States of not recording data on the FI at the time of purchase.

Audits are designed to detect two kinds of offenses: charging for food items not received and stocking insufficient quantities of WIC food. Audits found 135 instances in 8 States of charging for food items not received, and 52 instances in 4 States of insufficient stocks of WIC food. The full range of offenses identified by compliance buys and audits is shown in Tables 4-32 and 3-33. Compliance buys identified a total of 734 vendors in violation; audits identified 232 vendors in violation.

Other on-site investigations detected vendors who were not recording data on the FI at the time of food purchase and were charging prices in excess of the shelf price. Fifty-six instances

Table 3-32. Types and Numbers of Offenses Identified by Compliance Buys

Offense	Number of States	Number of Offenses
Providing unauthorized foods	26	541
Charging for food items not received	19	634
Not recording data on FI at time of purchase	14	467
Charging prices in excess of shelf price	12	274
Stocking insufficient quantities of WIC food	10	42
Providing nonfood items for FI	5	64
Redeeming expired FIs	5	14
Offering to buy FI at below-redemption value	2	3
Providing cash or credit for food	2	3
Charging in excess of foods on FI	8	99
Other	9	66

Note: Some vendors committed more than one type of offense

Table 3-33. Types and Numbers of Offenses Identified by Audit Investigations

Offense	Number of States	Number of Offenses
Charging for food items not received	8	135
Stocking insufficient quantities of WIC food	4	52
Charging prices in excess of shelf price	1	11
Other	1	26

Note: Some vendors committed more than one type of offense.

Table 3-34. Types and Numbers of Offenses Detected by Other On-Site Investigations

Offenses	Number of States	Number of Offenses
Insufficient stock of WIC food	6	34
Charging in excess of shelf price	5	74
Not recording data on FI at purchase	5	56
Outdated formula	5	4
Providing unauthorized food items	5	6

Note: Some vendors committed more than one type of offense.

in 5 States were found of not recording data on the FI at the time of food purchase, and 74 instances in 5 States were found of charging prices in excess of the shelf price. A total of 174 offenses were found through other on-site investigations (Table 3-34).

3.2.4 Corrective Actions

The purpose of corrective actions is to alter or to penalize abusive behavior. The mildest corrective action is a warning letter, and it is followed in severity by the imposition of sanctions -- that is, removing a vendor's authorization to participate in the WIC Program for a given time. Vendors that are disqualified may appeal the decision at a fair hearing.

In a majority of States, WIC State agencies have primary responsibility for taking corrective actions against vendors. Local agencies share responsibility for sanctioning procedures with WIC State agencies in three States and have primary responsibility for vendor sanctions in one State. Local agencies share responsibility for the appeals process with the WIC State agency in two States. Table 3-1 shows the actual number of State or local agencies responsible for sanctions and appeals.

In order to ensure that due process is observed, States take steps to inform vendors about the penalties associated with WIC program offenses. The methods used by most States include:

- o Enclosing the WIC sanction policy with the vendor agreement
- o Explaining the penalties for offenses during vendor training sessions
- o At authorization, providing vendors a manual that includes a description of penalties

The majority of States use more than one of these methods. The number of States that use each method is shown in Table 3-35.

Twenty-one States (43%) use a penalty point system to determine when a sanction will be imposed; the others do not. "The use of a point system allows you to uniformly apply violation points and establish disqualification periods when necessary on an equal basis to all merchants."¹¹ WIC point systems, much like most driver's license point systems, allow State agencies to quantify the severity of abuse among violations different in nature and magnitude.

Issuance of a warning letter and disqualification from the program for a specified period of time are the two types of corrective actions that most States use. There is considerable variation in the type of offense for which States disqualify vendors and in the length of time for which a vendor is disqualified. But 80 percent or more of the States impose disqualification for the following offenses:

- o Exchanging cash or credit for WIC food instruments
- o Exchanging nonfood items for WIC food instruments
- o Charging WIC customers more for food than non-WIC customers or charging WIC customers more than the current shelf price
- o Charging for food items not received by the WIC customer or for foods provided in excess of those listed on the food instrument
- o Providing unauthorized foods
- o Disqualification from the Food Stamp Program

Table 3-36 shows the number of States that impose disqualifications for these and other offenses, the number of times that the offense must occur before disqualification is imposed, and

¹¹The Merchant Coordinators of the Southeast Region, op. cit.

Table 3-35. Methods Used to Inform Vendors About Penalties for WIC Program Offenses

Method	Number of States	Percent of States
Penalties for offenses are explained during vendor training sessions	35	71
State WIC sanction policy is included in the WIC vendor agreement	34	69
Vendor manual, with a description of penalties, is provided at authorization	32	65
Penalties for offenses are described at reauthorization	15	31
Point system for sanctions is enclosed with the WIC vendor agreement	13	27
Penalties for offenses are included with the warning letter	3	6
Penalties for offenses are provided with the application packet	2	4
Penalties for offenses are included in letters announcing the award of sanction points	1	2

Table 3-36. Number of Occurrences Needed and Length of Disqualification Varies

Violation	Number of States	Percent of States	Number of Occurrences Needed to Disqualify	Length of Disqualification Period (months)
Exchanging cash or credit for WIC food instruments	43	88	1 - 3	2 - 36
Disqualification from Food Stamp Program	42	86	1	3 - 36
Charging for food items not received by WIC participant	41	84	1 - 8	3 - 36
Exchanging nonfood items for a WIC food instrument	40	82	1 - 5	3 - 36
Charging WIC customers more for food than current shelf price	40	82	1 - 8	3 - 36
Providing non-WIC-approved foods	39	80	2 - 10	6 - 36
Stocking insufficient quantities of WIC-approved foods	34	69	1 - 10	2 - 36
Redeeming WIC food instruments outside of authorized channels	30	61	1 - 3	6 - 36
Failure to comply with monitoring requirements	29	59	1 - 10	1 - 36
Failure to provide inventory records when requested	25	51	1 - 8	3 - 36

Note: Other violations are possible.

the length of time for which vendors are disqualified in States that penalize for the offense. It is important to note that in many States, the maximum length of the disqualification period is limited by the effective length of the authorization agreement or contract.

Investigation Methods and Corrective Actions. Not all vendors who were detected committing program offenses by one of the three investigation methods were sanctioned. The total number of vendors disqualified in FY 1987 for any type of fraud or serious abuse was 566. Of these vendors, States had initially used statistical indicators to identify 336 as high-risk. Participant and vendor complaints, results of representative monitoring, or visits to vendors were used to identify the remaining 230.

Most disqualified vendors who were initially identified by statistical indicators were investigated using compliance buys rather than by audits or other on-site investigations. A total of 257 vendors identified by statistical indicators were investigated by compliance buys and then disqualified; 60 were investigated by audits and disqualified, and 19 were investigated by other methods and disqualified. These outcomes of high-risk monitoring are shown in Table 3-37.

Of the 566 vendors disqualified for fraud or abuse, 136 appealed their sanction. Only two vendors were successful in overturning the decision to disqualify them, and six vendors succeeded in having their term of disqualification reduced (Table 3-37).

A smaller number of vendors were fined or indicted for fraud. Sixty-four vendors in seven States were fined; the maximum fine was \$35,383 and the minimum fine was \$100 (Table 3-38). Only one State indicted vendors for fraud, and each of the 11 vendors indicted in this State was convicted.

Sanction Appeals. When a vendor appeals a sanction, fewer than half of the States conduct an informal prehearing conference to attempt to negotiate (Table 3-39). In 51 percent of the States,

Table 3-37. Outcomes of Monitoring and Analysis

Vendor Category	Total Number of Vendors	Number of States	Range of Vendors Per State
Vendors considered at high risk to commit fraud or serious forms of abuse initially identified through representative monitoring	550	22	0 - 130
Sanctioned vendors originally identified by systematic analysis of redeemed food instruments	336	22	0 - 117
Investigated by compliance buys	257	17	0 - 117
Investigated by store audits	60	5	0 - 30
Investigated by other methods or combination	19	5	0 - 12
Sanctioned vendors who were originally identified by methods other than analysis	230	22	
Complaints	78	9	0 - 50
Representative monitoring	61	11	0 - 24
Other methods	91	12	0 - 12
Vendors disqualified for fraud or serious forms of abuse during FY 1987	566	32	0 - 180
Vendors identified by State high-risk monitoring system that appealed their sanctions	136	20	0 - 28
Vendors successful in reducing sanction	6	4	0 - 3
Vendors successful in overturning sanction	2	1	

Table 3-38. Vendors Fined For Fraud and Serious Abuse During FY 1987

Vendor Category	Number of States	Percent of States	Total Number of Vendors Fined	Range of Vendors
Vendors fined for all reasons	7	14	64	0 - 32
Vendors fined who were detected by high-risk monitoring	3	6	9	0 - 7
Vendors fined for fraud or serious forms of abuse	6	12	62	0 - 32

Table 3-39. Most States Do Not Use Informal Prehearing Conferences

Use	Number of States	Percent of States
Yes, discretionary	14	29
Yes, mandatory	3	6
No	28	57
Appeals have not been held	4	8

Table 3-40. Administrative Officer Responsible for Appeals Hearing

Officer	Number of States	Percent of States
WIC parent agency hearing officer	25	51
Other State agency hearing officer	8	16
Administrative law judge	7	14
WIC State parent agency appointee	2	4
Other	3	6
No sanctions appealed or no appeals held ¹	4	8

¹ State WIC never had to have an appeal hearing.

a formal hearing is conducted by the hearing officer of the WIC State agency's parent agency. In the other 40 percent of the States, the hearing officer of another State agency, an administrative law judge, an appointee, or an attorney hears the vendor appeal (Table 3-40). Fifty-three percent of the States have legal requirements governing the appeals process. These requirements derive most often from the State's Administrative Procedures Act (Table 3-41). Sixty-five percent of the States have legal counsel present during the hearing (Table 3-42). For the 28 States that are able to estimate the cost of a fair hearing, the cost ranges up to \$9,000.

3.3 FACTORS THAT AFFECT STATE VENDOR FRAUD AND ABUSE CONTROL ACTIVITIES

WIC State Directors and Vendor Coordinators in the majority of cases report that the measures their State uses to monitor and sanction fraudulent or abusive vendors could be strengthened. More States identify weaknesses in their vendor management systems than identify strengths, and two aspects are consistently identified as affecting fraud and abuse control activities: staffing and automatic data processing (ADP) capability. Fifty-one percent of the States say that lack of staff and resources inhibit vendor fraud and abuse control; 12 percent cite the high quality of State agency staff as a strength. Twenty-five percent of the States identify lack of automation or inadequate automation as an inhibiting factor; 14 percent feel that their automated data system is a strength. The other major inhibiting factor is funding: 22 percent of the States indicated that administrative funds available are inadequate to do everything that is needed to improve fraud and abuse control efforts. An important factor in successful fraud and abuse control is support from State management, local agencies, and USDA (Table 3-43).

Over half of the States have some ADP capability for vendor selection, representative monitoring, FI redemption processing, and

Table 3-41. Basis for Vendor Appeal Policy and Regulations

Basis	Number of States	Percent of States
State Administrative Procedures Act	15	58
Legal counsel's advice	5	19
State plan	4	15
Other health department rules	4	15
State law for WIC	3	12
State health department law	3	12
State health department regulations	3	12
Other	3	12
No response/Don't know	9	35

Note: Percentages are based on the 26 States that have legal requirements governing the appeals process. Multiple responses were possible.

Table 3-42. Summary Characteristics of WIC State Agency Fair Hearings

Characteristic	Number of States	Percent of States
Location of fair hearings		
State agency	19	39
Geographical area of complainant	6	12
Department of health	5	10
Local agency	3	6
Other	7	14
State legal counsel present during the hearing?		
Yes	32	65
No	8	16
No response	9	18

Table 3-43. Factors Affecting State Vendor Management

Factor	Number of States	Percent of States
Positive		
Supportive State, local, or Federal management	10	20
Good data system	7	14
High quality of State agency staff	6	12
Beneficial legal support	3	6
Change to rigorous enforcement philosophy	3	6
Other	7	14
Negative		
Lack of staff and resources	25	51
Lack of/inadequate automation	19	39
Inadequate administrative funds	11	22
Legal problems	7	14
Unsupportive State, local, or Federal management	7	14
Difficulty of limiting the number of vendors	4	8
Difficulty of maintaining anonymity of investigators	3	6
Other	7	14

high-risk monitoring. More States use ADP in FI redemption processing than in any other vendor management component. While 81 percent of the States report that they have ADP capability for high-risk monitoring, only about one-quarter to one-half of the States have any single statistical indicator automated (Table 3-44).

Sixty-five percent of the States cite limited funding and staff resources as the reason all high-risk vendors are not investigated. Twelve percent say they have no internal capabilities to investigate high-risk vendors. (Table 3-45).

Individual States also identify some very specific activities or features of their vendor management system as promoting or inhibiting control of vendor fraud and abuse. These include the use of a strong vendor agreement, monthly reporting of price data, and centralization of vendor monitoring as strengths and, as weaknesses, highly litigious vendors, vendor outlets that are dangerous to monitor, and lack of vendor-specific information.

3.4 WIC VENDOR MANAGEMENT COSTS

For this study, each State was requested to provide actual data on or best estimates of the amounts of staff time and funds expended as part of the agency management of participating vendors. This section presents and discusses the costs associated with WIC vendor management, examining the distribution of effort in vendor management in total and in each of the key types of activities that make up vendor management, and the distribution of State and local responsibility for vendor management. This analysis is particularly useful because it demonstrates the extensive variability in the allocation of vendor management responsibility and the concentration of effort on particular vendor management activities.

A brief review of the procedures and their impact on the analysis precedes the tabulations and discussions.

Table 3-44. Use of ADP for High-Risk Monitoring

Uses	Number of States	Percent of States
Conducts food instrument check for missing or illogical data	24	49
Compares average claim value of individual outlets to average claims of peers	23	47
Generates vendor profiles or data summaries	19	39
Tracks redemption patterns by store type	18	37
Maintains investigation and sanction results	16	33
Tracks individual participant redemptions by vendor	16	33
Compares redemption rates and values for different types of vendors	14	29
Tracks redemption patterns by geographic area	13	27
Compares redeemed prices with actual store shelf prices	11	22
Conducts analysis to detect periodic changes in redemption rates	11	22
Maintains information provided by the Food Stamp Program --		
FSP disqualifications	7	14
Store demographics	2	4
Sanction Information Network	1	2
Redemption patterns	1	2
Unacceptable history	1	2
ADP is not used in high-risk monitoring activities	8	16
At present, high-risk monitoring is not conducted	1	2

Table 3-45. Reasons Why All High-Risk Vendors Are Not Investigated

Reason	Number of States	Percent of States
Funding and staff limitations	32	65
No internal capabilities	6	12
Difficulties associated with appeals process	2	4
Inexperienced in high-risk investigation	2	4
Travel time	2	4
Other	5	10

3.4.1 Procedures

For each WIC Program position at the State or local level, the State agencies were asked to provide information on position description, number of persons in the position, average annual salary, dollar amount of fringe benefits, total average full-time equivalent (FTE) spent on all WIC vendor management activities, and FTE spent on each of 10 categories of WIC vendor management activities. These activities collectively are generally thought to describe WIC vendor management. They include general administrative activities such as oversight and activities that, while related to vendor management, are not easily included in other activities; authorization and reauthorization of vendors to participate in the WIC Program; training and retraining of participating WIC vendors; routine monitoring of participating WIC vendors; resolution of complaints by and about vendors; compliance investigations of vendors who are suspected of violating program regulations; processing of vendor sanction appeals; processing of redeemed food instruments; collection and analysis of food instrument redemption and vendor characteristics data to detect potential violations of program rules; and collection of overcharges from participating WIC vendors.

Of the 49 States that rely primarily on merchants to provide WIC-authorized foods to program beneficiaries, 47, or 96 percent, provided data about their WIC vendor management staffing. A total of 445 FTEs were reported as devoted to vendor management duties. These persons were then assigned to one of 16 positions (see Exhibit 3-1) associated with the above categories.

An average of 9.5 FTEs associated with vendor management were described in information provided by each State. Persons were reported as working on vendor management as little as 125 hours per year (.06 FTE) to full time (1.0 FTE). Summary and detailed State-by-State tabulations are presented in Appendix C.

The WIC State agencies also were asked to identify the amount of other direct nonpersonnel funds spent on WIC vendor management and, if possible, to report how those costs were allocated across the 10 WIC vendor management activities described above. The general cost categories included automated data processing, space usage, equipment, supplies, communications, travel, contracts, and other costs. Each State used as its starting figure the total amount of administrative and service funding reported to the WIC program for FY 1987.

The following data about WIC vendor management nonpersonnel expenditures were obtained:

- o 34 States were able to identify the amount of funds spent on vendor management and then allocate those amounts to specific vendor management activities.
- o 4 States were able to identify only the amount of funds spent on vendor management in total.
- o 11 States were unable to identify the amount of funds spent on vendor management or were unable to provide any information on nonpersonnel expenditures of funds received as part of their administrative and services allowance.

Because only 69 percent of the States provided fully usable data, and because the missing data tended to be from the larger States, analysis of other direct nonpersonnel cost data was restricted to simple tabulations. Moreover, while some of the tables in Appendix C display both staff and nonpersonnel costs in an effort to approximate the total cost of vendor management, one additional factor constrains the combination of staffing data and nonpersonnel data. A number of States, when reporting costs associated with the contracts category, appear to have included contractual agreements

with local agencies that provide WIC services. The result of this double reporting is that combinations of staff expenditures and nonpersonnel costs are likely to overestimate the total cost to the program of vendor management.

3.4.2 General WIC Vendor Management Staffing Patterns

Staff costs represent the largest single share of the WIC Program's administrative and services expenditures. Thirty-eight States reported that of the \$18.5 million they spent on WIC vendor management, over 53 percent went toward payment of salaries. (Note: the \$18.5 million does not include overhead). Because of the variability in salaries among the States, the tabulations presented here use FTE as the level of effort. For all practical purposes, an FTE in one State should be equivalent to an FTE in another State, so that a reliable comparison across States is possible.

Table 3-46 summarizes the total FTEs for each of the 10 vendor management activities. Among the 47 States that reported staffing data, a total of 445 FTEs were spent conducting vendor management during FY 1987. Stated another way, the equivalent of 445 person-years of effort was expended. Of this total, 194 FTEs were expended by State staff and 251 FTEs by local agency staff. That is, for every FTE expended by State staff, 1.3 FTEs were expended by local agency staff. These levels of effort are somewhat inflated because a number of States (Missouri, Nebraska, Ohio, and Texas) attributed substantial levels of effort to food instrument processing; however, even if food instrument redemption processing is not considered, the ratio of State to local effort remains essentially the same.

Food instrument processing and vendor monitoring, authorization, and training consume the most staff time. Most States use banks or ADP processing companies to process food instrument redemptions by contract. Therefore States do not claim extensive

Table 3-46: Distribution of State and Local Vendor Management Activity and Estimated Full-Time Equivalent (FTE) Staffing and Cost, 1987

Type of Activity	Number of States Reporting	FTE Staff In Vendor Management, U.S. Total	Total Labor Cost (a)	Average FTE Per State	Average Vendor Management Labor Cost Per State	Average Cost Per FTE
Administration:						
State	47	25.77	\$831,090	0.55	\$17,683	\$32,253
Local	15	14.11	\$309,187	0.94	\$20,612	\$21,920
Vendor Authorization:						
State	45	13.18	\$367,547	0.29	\$8,168	\$27,880
Local	23	32.32	\$524,989	1.41	\$22,826	\$16,243
Vendor Training:						
State	42	10.35	\$276,206	0.25	\$6,576	\$26,697
Local	25	34.85	\$604,879	1.39	\$24,195	\$17,358
Vendor Monitoring:						
State	37	18.00	\$449,720	0.49	\$12,155	\$24,980
Local	25	41.35	\$736,043	1.65	\$29,442	\$17,802
Complaint Resolution:						
State	45	15.82	\$400,173	0.35	\$8,893	\$25,294
Local	27	25.09	\$467,177	0.93	\$17,303	\$18,619
Compliance Buy Investigating:						
State	39	21.65	\$457,846	0.56	\$11,740	\$21,147
Local	11	7.10	\$132,459	0.65	\$12,042	\$18,653
Sanctioning Vendors:						
State	41	9.35	\$349,689	0.23	\$8,529	\$37,416
Local	13	4.18	\$86,884	0.32	\$6,683	\$20,778
Processing FI Redemptions:						
State	37	44.93	\$983,008	1.21	\$26,568	\$21,881
Local	12	60.18	\$901,740	5.01	\$75,145	\$14,985
Data Use and Analysis:						
State	46	26.02	\$624,405	0.57	\$13,574	\$24,002
Local	16	15.46	\$276,345	0.97	\$17,272	\$17,874
Overcharge Recovery:						
State	32	8.81	\$203,088	0.28	\$6,347	\$23,052
Local	10	16.83	\$289,169	1.68	\$28,917	\$17,181

Forty-seven of the forty-nine states surveyed were able to provide data about vendor management staffing.
(a) Total labor cost includes base wages plus the cost of fringe benefits as reported by the States.

State staff hours for this activity. If the actual number of hours spent processing FI redemptions were computed, this activity would easily consume the largest share of FTEs. Sanctions and appeals consume the least amount of staff time.

3.4.3 WIC Vendor Management -- Comparative Effort at the State and Local Levels

Examination of the detailed State-by-State tables reveals a high degree of variability among the States both in terms of the State-local share of effort and the distribution of that effort across the 10 management activities. Tables 3-47 and 3-48 show the patterns in vendor management staffing by comparing the FTEs spent in each of the vendor management activities and by each type of staff position. The two tables show the same patterns.

A comparison of the State and local shares in performing these activities indicates that in most (6 out of 10) instances, the local WIC agencies actually have greater involvement than the State agency. Ranking the activities according to local staff time expended produces the following list:

- o Food Instrument Processing
- o Vendor Monitoring
- o Vendor Training
- o Vendor Authorization
- o Complaint Resolution
- o Overcharge Recovery

Data analysis, investigations, and handling of vendor appeals tend to be State-conducted activities. Many more of the routine vendor activities are conducted at the local level than at the State level.

One of the most significant findings of this study is that, while only about half of the States report using local staff at all for vendor monitoring activities, local staff expend about 30

Table 3.47. Hours Per Vendor Spent by State and Local WIC Staff in the Performance of Primary Vendor Management Activities -- FY 1987

State	Compliance Investigations		Vendor Appeals		FI Processing		Data Analysis		Overpayment Collection	
	State	Local	State	Local	State	Local	State	Local	State	Local
Alabama	3.912	0.000	0.575	0.000	0.115	0.000	0.690	0.000	0.115	0.000
Alaska	0.000	0.000	0.181	0.000	5.245	0.000	1.085	2.894	0.543	1.266
Arizona	0.030	0.000	0.030	0.000	0.302	0.000	0.634	0.000	0.302	0.000
Arkansas	0.000	0.000	0.000	0.000	1.040	0.000	0.173	0.000	0.000	0.000
California	2.070	0.000	1.274	0.000	3.020	0.000	2.003	0.000	0.362	0.000
Colorado	0.000	0.000	0.111	0.000	0.166	0.000	0.830	0.000	0.000	0.000
Connecticut	0.083	0.000	0.166	0.000	0.000	0.000	0.249	0.000	0.332	0.000
Delaware	0.759	0.000	0.455	0.000	0.000	0.000	0.759	0.000	0.152	0.000
District of Col.	6.500	0.000	1.300	0.000	2.600	0.000	19.500	0.000	2.600	0.000
Florida	1.123	1.910	0.449	0.104	0.289	0.706	1.123	2.272	1.123	0.026
Georgia	0.321	0.013	0.360	0.064	0.835	0.321	0.591	0.578	0.321	0.000
Hawaii	0.189	1.891	0.189	0.000	0.189	0.000	0.189	0.000	0.000	0.000
Idaho	0.232	3.343	0.325	0.418	4.457	1.254	0.696	0.000	0.093	0.000
Illinois	0.400	0.000	0.529	0.000	1.200	0.000	1.094	0.000	0.000	0.000
Indiana	0.197	0.000	0.085	1.353	0.056	0.000	0.451	1.353	0.789	0.271
Iowa	0.000	0.000	0.022	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Kansas	1.212	0.000	0.076	0.000	1.137	0.000	2.652	0.000	0.379	0.000
Kentucky	0.444	0.000	0.254	0.000	0.127	1.321	1.079	0.000	0.000	0.000
Louisiana	0.024	0.707	0.141	0.283	0.189	0.424	0.519	1.415	0.354	1.061
Maine	0.000	0.000	0.000	0.000	0.000	0.000	0.131	0.000	0.000	0.000
Maryland	1.088	0.680	0.816	0.680	0.408	0.000	1.699	2.379	0.136	0.340
Massachusetts	0.286	0.000	0.286	1.286	0.286	2.714	0.429	1.286	0.000	0.000
Michigan	0.102	0.000	0.154	0.000	0.000	0.000	0.102	0.000	0.000	0.000
Minnesota	0.058	0.000	0.037	0.000	0.051	0.000	0.051	0.000	0.237	0.000
Missouri	0.075	3.317	0.030	1.659	3.631	64.597	0.209	6.634	0.134	16.138

Table 3.47. Hours Per Vendor Spent by State and Local WIC Staff in the Performance of Primary Vendor Management Activities -- FY 1987

State	Compliance Investigations		Vendor Appeals		FI Processing		Data Analysis		Overpayment Collections	
	State	Local	State	Local	State	Local	State	Local	State	Local
Montana	0.300	0.000	0.300	0.000	0.599	0.000	0.899	0.000	0.899	0.000
Nebraska	0.106	0.000	0.000	0.000	0.425	22.459	1.063	2.807	0.425	0.000
Nevada	0.146	0.000	0.146	0.000	0.000	0.000	0.732	0.000	0.732	0.000
New Hampshire	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
New Jersey	0.130	0.000	0.194	0.713	1.944	0.000	1.879	0.000	2.560	0.000
New Mexico	1.251	0.000	0.391	0.000	1.720	0.000	2.346	7.820	0.313	0.000
New York	4.286	0.604	0.749	0.326	0.300	1.963	3.226	1.256	1.642	0.385
North Carolina	1.339	0.048	0.670	0.239	0.000	0.000	0.144	0.096	0.000	0.000
North Dakota	0.000	0.000	0.000	0.000	6.783	6.783	0.565	0.000	0.000	0.317
Ohio	2.371	0.000	1.829	0.000	17.751	0.000	11.992	0.000	1.558	0.000
Oklahoma	0.340	0.000	0.238	0.000	10.026	0.000	2.141	0.000	1.020	0.000
Oregon	0.022	0.000	0.000	0.000	0.065	0.000	0.087	0.650	0.065	0.000
Pennsylvania	0.524	0.000	0.419	0.000	0.163	0.000	0.303	0.000	1.049	0.000
Rhode Island	0.452	0.000	0.581	0.000	0.097	0.000	2.229	0.000	0.355	0.000
South Carolina	1.475	0.000	0.287	0.000	1.619	0.000	0.307	0.000	0.000	0.000
South Dakota	0.606	0.000	1.010	0.000	0.673	0.000	1.077	0.000	0.337	0.000
Tennessee	0.086	2.160	0.086	1.095	0.000	6.466	0.342	4.068	0.034	5.019
Texas	0.510	0.000	0.264	0.000	19.524	0.137	2.889	0.000	0.292	0.000
Utah	0.248	0.000	0.248	0.000	0.745	0.000	1.241	0.000	0.397	0.000
Virginia	0.185	0.124	0.062	0.185	0.000	0.000	0.618	0.309	0.000	0.000
Washington	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
West Virginia	1.520	0.000	0.608	0.000	0.000	0.000	0.912	0.000	0.000	0.000
Wisconsin	0.000	0.000	0.243	0.000	0.162	0.000	0.486	0.000	0.000	0.000
Wyoming	0.000	0.000	0.000	0.000	2.294	0.000	0.765	3.778	1.529	2.722
Total	35.004	14.796	16.170	8.405	90.232	109.144	73.184	39.593	21.179	27.544
Average	0.701	0.311	0.340	0.176	2.053	2.104	1.489	0.799	0.411	0.592

Table 3-47. Hours Per Vendor Spent by State and Local WIC Staff in the Performance of Primary Vendor Management Activities -- FY 1987

State	Administration of Vendor Management		Vendor Authorization		Vendor Training		Routine Monitoring		Complaint Resolution	
	State	Local	State	Local	State	Local	State	Local	State	Local
Alabama	1.496	0.000	0.345	0.000	0.230	0.000	0.345	0.000	0.345	0.000
Alaska	0.904	5.426	1.085	4.160	0.181	10.852	0.181	12.842	0.543	1.628
Arizona	1.208	0.000	0.483	0.000	1.630	0.755	0.181	1.902	0.936	0.755
Arkansas	1.040	0.000	0.173	0.763	0.347	1.907	0.000	1.907	0.347	1.907
California	0.895	0.000	1.066	0.000	0.562	0.000	0.800	0.000	0.546	0.000
Colorado	2.213	0.000	0.277	0.000	0.277	0.000	0.277	0.000	0.830	0.000
Connecticut	0.665	0.000	1.080	1.960	0.000	1.545	0.166	2.725	0.581	0.581
Delaware	2.277	0.000	0.759	0.000	3.796	0.000	11.539	0.000	2.277	0.000
District of Columbia	16.250	0.000	2.600	0.000	3.900	0.000	13.000	0.000	13.000	0.000
Florida	0.883	1.952	0.481	1.212	0.514	2.249	0.674	2.955	0.963	3.221
Georgia	0.693	0.180	0.353	0.514	0.578	0.437	0.828	0.655	0.642	0.270
Hawaii	3.782	0.000	0.189	0.000	1.324	3.971	0.000	6.618	1.513	0.000
Idaho	0.975	0.000	0.186	0.836	0.464	0.418	1.857	0.000	0.929	2.089
Illinois	0.588	0.000	0.729	0.000	1.176	0.000	1.706	0.000	0.506	0.000
Indiana	3.072	6.764	0.000	1.353	0.197	1.353	0.225	1.353	0.564	1.353
Iowa	0.216	0.000	0.043	5.606	0.000	3.441	0.000	4.740	0.022	1.147
Kansas	2.728	0.000	1.515	0.000	4.016	0.000	3.410	0.000	5.683	0.000
Kentucky	1.143	0.000	0.825	1.321	0.381	3.302	1.524	6.603	0.571	0.660
Louisiana	0.943	0.000	0.401	6.132	0.118	10.966	0.118	1.061	0.377	9.315
Maine	0.525	0.000	0.525	0.000	0.525	0.000	0.525	0.000	0.393	0.000
Maryland	9.380	0.000	1.495	0.000	1.699	0.000	2.447	0.680	1.224	2.039
Massachusetts	0.571	1.000	0.286	10.286	0.143	1.000	0.000	3.000	0.429	2.286
Michigan	0.205	0.000	0.051	0.000	0.051	0.000	0.205	0.000	0.154	0.000
Minnesota	0.075	0.000	0.353	0.000	0.058	0.000	0.353	0.000	0.166	0.000
Missouri	0.149	0.448	0.105	8.517	0.015	8.248	0.015	8.159	0.493	5.110

Table 3-47. Hours Per Vendor Spent by State and Local WIC Staff in the Performance of Primary Vendor Management Activities -- FY 1987

	<u>Administration of</u> <u>Vendor Management</u>		<u>Vendor</u> <u>Authorization</u>		<u>Vendor</u> <u>Training</u>		<u>Routine</u> <u>Monitoring</u>		<u>Complaint</u> <u>Resolution</u>	
	State	Local	State	Local	State	Local	State	Local	State	Local
Montana	0.599	0.000	0.599	3.836	0.300	3.836	0.599	3.836	0.300	7.673
Nebraska	0.425	14.037	0.213	14.037	0.425	14.037	0.106	14.037	0.425	2.807
Nevada	10.254	0.000	0.732	0.000	0.732	0.000	0.000	0.000	0.439	0.000
New Hampshire	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
New Jersey	1.652	0.713	1.361	1.426	2.462	0.713	7.840	0.000	0.972	2.138
New Mexico	2.737	1.955	2.111	0.000	1.564	2.580	1.642	2.580	1.564	7.741
New York	0.824	1.681	0.248	1.011	0.046	1.885	0.225	3.001	0.783	1.441
North Carolina	0.191	0.096	0.191	0.287	0.096	0.000	0.000	0.048	0.239	0.144
North Dakota	0.848	4.748	0.000	6.104	0.000	8.139	0.000	6.783	0.000	2.261
Ohio	11.586	0.000	5.962	0.000	2.100	0.000	4.065	0.000	5.894	0.000
Oklahoma	1.020	0.000	2.039	0.000	1.529	0.000	0.510	0.000	1.020	0.000
Oregon	0.108	0.000	0.043	0.650	0.087	0.650	0.043	0.650	0.130	0.650
Pennsylvania	0.385	0.000	0.839	0.000	0.315	0.000	0.210	0.000	0.198	0.000
Rhode Island	2.778	0.000	1.421	0.000	0.872	0.000	1.809	0.000	1.357	0.000
South Carolina	2.459	0.000	0.615	0.000	1.230	0.000	3.996	0.000	1.844	0.000
South Dakota	0.673	0.000	0.337	0.000	3.366	0.000	4.039	0.000	1.346	0.000
Tennessee	0.428	2.686	0.051	5.268	0.051	6.654	0.051	10.024	0.342	3.686
Texas	3.537	0.000	0.137	0.638	0.365	0.000	1.960	0.000	1.741	0.137
Utah	0.496	0.000	0.099	7.297	0.248	7.297	0.248	12.162	0.496	9.730
Virginia	0.988	0.309	0.371	0.618	0.000	0.309	0.000	0.926	0.247	0.309
Washington	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
West Virginia	2.129	0.000	2.250	0.000	0.304	0.000	1.673	0.000	1.095	0.000
Wisconsin	0.728	0.000	0.971	0.000	0.000	0.000	0.000	0.000	0.324	0.000
Wyoming	1.071	0.918	0.076	0.000	0.076	4.359	0.000	1.453	0.000	0.872
Total	98.792	42.911	36.075	83.831	38.349	100.902	69.391	110.699	54.789	71.950
Average	2.003	0.835	0.711	1.775	0.809	2.094	1.482	2.433	1.130	1.560

Note: Hours are calculated by multiplying the total reported full-time equivalents by 2.080 hours.

The value 0.000 indicates that the State reported no time for the corresponding activity and local/State WIC staff. Washington and New Hampshire were unable to provide detailed WIC vendor management staffing data.

Table 3.48. Hours Per 100 Participants Spent by State and Local WIC Staff in the Performance of Primary Vendor Management Activities -- FY 1987

State	Compliance Investigations		Vendor Appeals		FI Processing		Data Analysis		Overpayment Collections	
	State	Local	State	Local	State	Local	State	Local	State	Local
Alabama	4.708	0.000	0.692	0.000	0.138	0.000	0.831	0.000	0.138	0.000
Alaska	0.000	0.000	0.439	0.000	12.739	0.000	2.636	7.029	1.318	3.075
Arizona	0.064	0.000	0.064	0.000	0.637	0.000	1.337	0.000	0.637	0.000
Arkansas	0.000	0.000	0.000	0.000	1.689	0.000	0.282	0.000	0.000	0.000
California	3.815	0.000	2.349	0.000	5.566	0.000	3.693	0.000	0.668	0.000
Colorado	0.000	0.000	0.114	0.000	0.171	0.000	0.854	0.000	0.000	0.000
Connecticut	0.233	0.000	0.466	0.000	0.000	0.000	0.699	0.000	0.932	0.000
Delaware	1.399	0.000	0.839	0.000	0.000	0.000	1.399	0.000	0.280	0.000
District of Col.	1.852	0.000	0.370	0.000	0.741	0.000	5.556	0.000	0.741	0.000
Florida	1.238	2.105	0.495	0.115	0.318	0.778	1.238	2.505	1.238	0.028
Georgia	0.441	0.018	0.494	0.088	1.147	0.441	0.811	0.794	0.441	0.000
Hawaii	0.206	2.059	0.206	0.000	0.206	0.000	0.206	0.000	0.000	0.000
Idaho	0.641	9.231	0.897	1.154	12.308	3.462	1.923	0.000	0.256	0.000
Illinois	0.457	0.000	0.605	0.000	1.370	0.000	1.249	0.000	0.000	0.000
Indiana	0.213	0.000	0.091	1.460	0.061	0.000	0.487	1.460	0.852	0.292
Iowa	0.000	0.000	0.056	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Kansas	2.290	0.000	0.143	0.000	2.147	0.000	5.010	0.000	0.716	0.000
Kentucky	1.109	0.000	0.634	0.000	0.317	3.296	2.694	0.000	0.000	0.000
Louisiana	0.023	0.692	0.138	0.277	0.185	0.415	0.508	1.385	0.346	1.039
Maine	0.000	0.000	0.000	0.000	0.000	0.000	0.549	0.000	0.000	0.000
Maryland	0.789	0.493	0.592	0.493	0.296	0.000	1.233	1.727	0.099	0.247
Massachusetts	0.363	0.000	0.363	1.636	0.363	3.453	0.545	1.636	0.000	0.000
Michigan	0.163	0.000	0.244	0.000	0.000	0.000	0.163	0.000	0.000	0.000
Minnesota	0.207	0.000	0.133	0.000	0.185	0.000	0.185	0.000	0.850	0.000
Missouri	0.175	7.759	0.070	3.880	8.493	151.093	0.489	15.518	0.315	37.747
Montana	0.771	0.000	0.771	0.000	1.541	0.000	2.312	0.000	2.312	0.000

Table 3.48. Hours Per 100 Participants Spent by State and Local WIC Staff in the Performance of Primary Vendor Management Activities -- FY 1987

State	Compliance Investigations		Vendor Appeals		FI Processing		Data Analysis		Overpayment Collections	
	State	Local	State	Local	State	Local	State	Local	State	Local
Nebraska	0.265	0.000	0.000	0.000	1.061	56.013	2.652	7.002	1.061	0.000
Nevada	0.174	0.000	0.174	0.000	0.000	0.000	0.871	0.000	0.871	0.000
New Hampshire	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
New Jersey	0.057	0.000	0.086	0.316	0.862	0.000	0.833	0.000	1.134	0.000
New Mexico	1.527	0.000	0.477	0.000	2.100	0.000	2.863	9.543	0.382	0.000
New York	6.068	0.855	1.060	0.462	0.424	2.779	4.567	1.778	2.324	0.545
North Carolina	2.736	0.098	1.368	0.489	0.000	0.000	0.293	0.195	0.000	0.000
North Dakota	0.000	0.000	0.000	0.000	22.910	22.910	1.909	0.000	0.000	1.069
Ohio	0.396	0.000	0.306	0.000	2.967	0.000	2.004	0.000	0.260	0.000
Oklahoma	0.533	0.000	0.373	0.000	15.710	0.000	3.355	0.000	1.598	0.000
Oregon	0.064	0.000	0.000	0.000	0.192	0.000	0.256	1.917	0.192	0.000
Pennsylvania	0.634	0.000	0.507	0.000	0.197	0.000	0.366	0.000	1.267	0.000
Rhode Island	1.053	0.000	1.354	0.000	0.226	0.000	5.190	0.000	0.827	0.000
South Carolina	2.038	0.000	0.396	0.000	2.236	0.000	0.425	0.000	0.000	0.000
South Dakota	1.652	0.000	2.753	0.000	1.835	0.000	2.936	0.000	0.918	0.000
Tennessee	0.140	3.538	0.140	1.793	0.000	10.589	0.560	6.661	0.056	8.319
Texas	0.515	0.000	0.267	0.000	19.692	0.138	2.914	0.000	0.294	0.000
Utah	0.322	0.000	0.322	0.000	0.966	0.000	1.610	0.000	0.515	0.000
Virginia	0.457	0.305	0.152	0.457	0.000	0.000	1.525	0.762	0.000	0.000
Washington	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
West Virginia	3.541	0.000	1.416	0.000	0.000	0.000	2.124	0.000	0.000	0.000
Wisconsin	0.000	0.000	0.511	0.000	0.340	0.000	1.021	0.000	0.000	0.000
Wyoming	0.000	0.000	0.000	0.000	3.747	0.000	1.249	6.170	2.498	4.446
Total	43.329	27.153	22.929	12.620	126.082	255.367	76.413	66.081	26.336	56.707
Average	0.900	0.564	0.515	0.270	2.746	4.838	1.665	1.336	0.526	1.180

Table 3-48. Hours Per 100 Participants Spent by State and Local WIC Staff in the Performance of Primary Vendor Management Activities--FY 1987

State	Administration of Vendor Management		Vendor Authorization		Vendor Training		Routine Monitoring		Complaint Resolution	
	State	Local	State	Local	State	Local	State	Local	State	Local
Alabama	1.800	0.000	0.415	0.000	0.277	0.000	0.415	0.000	0.415	0.000
Alaska	2.196	13.178	2.636	10.103	0.439	26.357	0.439	31.189	1.318	3.954
Arizona	2.547	0.000	1.019	0.000	3.439	1.592	0.382	4.012	1.974	1.592
Arkansas	1.689	0.000	0.282	1.239	0.563	3.097	0.000	3.097	0.563	3.097
California	1.651	0.000	1.965	0.000	1.036	0.000	1.474	0.000	1.006	0.000
Colorado	2.277	0.000	0.285	0.000	0.285	0.000	0.285	0.000	0.854	0.000
Connecticut	1.865	0.000	3.030	5.501	0.000	4.335	0.466	7.645	1.632	1.632
Delaware	4.196	0.000	1.399	0.000	6.993	0.000	21.259	0.000	4.196	0.000
District of Col.	4.630	0.000	0.741	0.000	1.111	0.000	3.704	0.000	3.704	0.000
Florida	0.973	2.151	0.531	1.336	0.566	2.479	0.743	3.257	1.062	3.551
Georgia	0.953	0.247	0.485	0.706	0.794	0.600	1.138	0.900	0.882	0.370
Hawaii	4.117	0.000	0.206	0.000	1.441	4.323	0.000	7.205	1.647	0.000
Idaho	2.692	0.000	0.513	2.308	1.282	1.154	5.129	0.000	2.564	5.770
Illinois	0.672	0.000	0.833	0.000	1.344	0.000	1.948	0.000	0.578	0.000
Indiana	3.316	7.302	0.000	1.460	0.213	1.460	0.243	1.460	0.609	1.460
Iowa	0.562	0.000	0.112	14.551	0.000	8.933	0.000	12.304	0.056	2.978
Kansas	5.153	0.000	2.863	0.000	7.587	0.000	6.442	0.000	10.736	0.000
Kentucky	2.852	0.000	2.060	3.296	0.951	8.240	3.803	16.480	1.426	1.648
Louisiana	0.923	0.000	0.392	6.000	0.115	10.732	0.115	1.039	0.369	9.116
Maine	2.196	0.000	2.196	0.000	2.196	0.000	2.196	0.000	1.647	0.000
Maryland	6.808	0.000	1.085	0.000	1.233	0.000	1.776	0.493	0.888	1.480
Massachusetts	0.727	1.272	0.363	13.086	0.182	1.272	0.000	3.817	0.545	2.908
Michigan	0.326	0.000	0.081	0.000	0.081	0.000	0.326	0.000	0.244	0.000
Minnesota	0.270	0.000	1.267	0.000	0.207	0.000	1.267	0.000	0.595	0.000
Missouri	0.350	1.049	0.245	19.922	0.035	19.293	0.035	19.083	1.153	11.953
Montana	1.541	0.000	1.541	9.865	0.771	9.865	1.541	9.865	0.771	19.730

Table 3.48. Hours Per 100 Participants Spent by State and Local WIC Staff in the Performance of Primary Vendor Management Activities -- FY 1987

State	Administration of Vendor Management		Vendor Authorization		Vendor Training		Routine Monitoring		Complaint Resolution	
	State	Local	State	Local	State	Local	State	Local	State	Local
Nebraska	1.061	35.008	0.530	35.008	1.061	35.008	0.265	35.008	1.061	7.002
Nevada	12.187	0.000	0.871	0.000	0.871	0.000	0.000	0.000	0.522	0.000
New Hampshire	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
New Jersey	0.732	0.316	0.603	0.632	1.091	0.316	3.475	0.000	0.431	0.948
New Mexico	3.340	2.386	2.577	0.000	1.909	3.149	2.004	3.149	1.909	9.448
New York	1.166	2.381	0.351	1.432	0.065	2.668	0.318	4.249	1.109	2.040
North Carolina	0.391	0.195	0.391	0.586	0.195	0.000	0.000	0.098	0.489	0.293
North Dakota	2.864	16.037	0.000	20.619	0.000	27.492	0.000	22.910	0.000	7.637
Ohio	1.936	0.000	0.997	0.000	0.351	0.000	0.679	0.000	0.985	0.000
Oklahoma	1.598	0.000	3.195	0.000	2.396	0.000	0.799	0.000	1.598	0.000
Oregon	0.320	0.000	0.128	1.917	0.256	1.917	0.128	1.917	0.383	1.917
Pennsylvania	0.465	0.000	1.014	0.000	0.380	0.000	0.253	0.000	0.239	0.000
Rhode Island	6.469	0.000	3.310	0.000	2.031	0.000	4.212	0.000	3.159	0.000
South Carolina	3.397	0.000	0.849	0.000	1.698	0.000	5.520	0.000	2.548	0.000
South Dakota	1.835	0.000	0.918	0.000	9.175	0.000	11.010	0.000	3.670	0.000
Tennessee	0.700	4.398	0.084	8.628	0.084	10.897	0.084	16.415	0.560	0.037
Texas	3.567	0.000	0.138	0.644	0.368	0.000	1.977	0.000	1.756	0.138
Utah	0.644	0.000	0.129	9.467	0.322	9.467	0.322	15.779	0.644	12.623
Virginia	2.439	0.762	0.915	1.525	0.000	0.762	0.000	2.287	0.610	0.762
Washington	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
West Virginia	4.957	0.000	5.240	0.000	0.708	0.000	3.895	0.000	2.549	0.000
Wisconsin	1.532	0.000	2.043	0.000	0.000	0.000	0.000	0.000	0.681	0.000
Wyoming	1.749	1.499	0.125	0.000	0.125	7.119	0.000	2.373	0.000	1.424
Total	110.630	88.181	50.951	169.830	56.227	202.528	90.068	226.030	66.336	121.507
Average	2.358	1.697	1.042	3.456	1.271	4.066	2.058	4.737	1.442	2.565

Hours are calculated by multiplying the total reported full-time equivalents by 2,080 hours. The value 0.000 indicates that the State reported no time for the corresponding activity and local/state WIC staff. Washington and New Hampshire were unable to provide detailed WIC vendor management staffing data.

percent more hours on such activities nationwide than State staff do. Apparently, where States use local staff in vendor management, the local staff are involved extensively.

As Table 3-49 shows, 26 percent of all vendor management staff time is supplied by local clerks. Even though local clerks occupy one of the least costly positions (\$14,974 per year, on average), they make up the most costly category because of the large amount of time they work. What is surprising is that only 10 States report using their services.

Table D-49: Type of Personnel Used in Vendor Management and Estimated Full-Time-Equivalent (FTE, Staffing and Cost, 1987

Type of Personnel	Number of States Reporting	FTE Staff In Vendor Management, U.S. Total	Total Labor Cost (a)	Average FTE Per State	Average Vendor Management Labor Cost Per State	Average Cost Per FTE
State Directors	22	6.08	\$211,971	0.28	\$9,635	\$34,892
Local WIC Directors	14	34.64	\$816,538	2.47	\$58,324	\$23,574
Vendor Coordinators:						
State	43	45.28	\$1,403,507	1.05	\$32,640	\$30,996
Local	7	25.51	\$499,078	3.64	\$71,297	\$19,564
Vendor Trainers:						
State	21	38.71	\$1,039,038	1.84	\$49,478	\$26,842
Local	13	51.68	\$901,994	3.98	\$69,384	\$17,455
Vendor Investigators:						
State	11	39.01	\$776,742	3.55	\$70,613	\$19,911
Local	3	2.56	\$47,982	0.85	\$15,994	\$18,743
State Data Managers	10	12.76	\$370,197	1.28	\$37,020	\$29,012
Data Specialists:						
State	18	49.79	\$1,001,094	2.77	\$55,616	\$20,106
Local	3	2.75	\$53,138	0.92	\$17,713	\$19,319
Local Clerks	10	125.11	\$1,873,393	12.51	\$187,339	\$14,974
Local Nutritionists	5	9.21	\$136,501	1.84	\$27,300	\$14,818
Attorneys	1	0.50	\$37,958	0.50	\$37,958	\$75,916
Auditors	1	1.80	\$103,874	1.80	\$103,874	\$57,708
All Vendor Management Personnel	47	445.38	\$9,273,005	9.48	\$197,298	\$20,820

Forty-seven of the forty-nine states surveyed were able to provide data about vendor management staffing.
(a) Total labor cost includes base wages plus the cost of fringe benefits as reported by the States.

Exhibit 3-1: Summary of WIC Vendor Management Position Categories Used by the WIC Vendor Management Study

- (01) State WIC Director
- (02) Local WIC Director
- (03) State Vendor Coordinators
- (04) Local Vendor Coordinators
- (05) State Vendor Trainers
- (06) Local Vendor Trainers
- (07) Vendor Investigators
- (08) Local Vendor Investigators
- (09) State Data Manager
- (10) State Data Specialist
- (11) Local Data Specialist
- (12) Local Clerk
- (13) Local Nutritionist
- (14) State and/or Local Support Staff
- (15) State Attorneys
- (16) State Auditors

4. CONCLUSION

4.1 BACKGROUND

The Special Supplemental Food Program for Women, Infants and Children (WIC) provides supplemental foods to eligible participants in order to improve their health status and prevent the occurrence of health problems. In almost all States, supplemental foods are provided through State authorized and monitored retail purchase systems. In these systems, participants receive supplemental foods by submitting a food instrument or voucher to local retail outlets (i.e., vendors). State agencies are accountable for the food delivery systems under their jurisdiction. Vendor management comprises those activities the State agencies and WIC program use to control error, fraud and abuse by vendors, to ensure compliance with Program rules and to provide participant access to WIC foods. Currently, approximately 50,000 vendors participate in the WIC program.

Federal regulations impose certain requirements on State vendor management activities, but States still exercise wide discretion in implementing these regulations. As a result, vendor management activities vary across the States. This study surveyed State agencies to ascertain how they carried out their vendor management activities during FY 1987, including vendor authorization, training, monitoring, food instrument processing, investigations, and corrective actions. This chapter summarizes State activities for each of the major vendor management areas.

4.2 VENDOR SELECTION AND AUTHORIZATION

WIC State agencies authorize a significant majority of the vendors applying for Program participation. In FY 1987, States authorized 94% of the approximately 28,000 vendors that applied.

Reapplying vendors were authorized more often than first time applicants.

A large proportion of vendor management staff hours are devoted to vendor authorization and reauthorization. Only food instrument processing and representative monitoring used more staff years in FY 1987. The majority of these resources are expended at the local agency level.

Authorization and reauthorization activities are very similar across the States. There is little variation in the objectives of the authorization process, in the information obtained and verified, in the authorization standards used and in the authorization procedures followed. All States but one report participant access and reduction in the risk of fraudulent or abusive behavior by vendors as the objectives of their authorization activities. Other additional objectives identified by at least two thirds of the States include establishing minimum stock levels or vendor price levels, limiting the number of WIC vendors, and limiting the type of WIC vendors.

In order to achieve these objectives, the majority of the States use the following criteria to assess the adequacy of vendor qualifications:

- o minimum WIC approved food stock requirement (100%),
- o acceptable past Food Stamp Program performance (92%),
- o acceptable past WIC performance (90%),
- o acceptable WIC food shelf prices (76%), and
- o geographic accessibility to participants (69%).

States use a variety of types of information, such as store location or Food Stamp Program authorization, to determine if these criteria are met by the vendor.

Reauthorization of vendors is more automatic than initial authorization. Forty-three percent of the States automatically reauthorize vendors. Less than half the States visit vendors at

reauthorization to conduct reviews. While 81% of the 6071 first time applicants were authorized, 98% of the 22,060 reapplicants were authorized.

About 25 percent of the States authorize vendors for a two year period; the remaining States authorize for some shorter period. After granting authorization, few States require any additional information from vendors during the authorization period. If further information is required, WIC food shelf price information is the most often requested. However, only 31% of the States request this information on a quarterly basis or more often.

4.2 VENDOR TRAINING

States train vendors in order to prevent Program errors, fraud or abuse and to improve Program delivery. These goals are reflected in the topics covered and the timing of the training. Topics emphasized by States tend to be routine procedures such as WIC transactions, food instrument redemption procedures, WIC inventory requirements, and penalties for noncompliance. Also, the overwhelming number of States (45) conduct training when requested by a vendor. Reflecting a concern for improved service, over 80% of the States conduct training sessions as a response to findings from high risk monitoring visits. Seventy-four percent hold training sessions as a result of reviewing a vendor's redemption data.

4.3 FOOD INSTRUMENT PROCESSING PROCEDURES

The food instrument processing and payment function is the most automated vendor management activity. Forty-seven States use automated systems for redemption processing. Sixty-nine percent use computer generated or some combination of computer and manually generated food instruments. The majority of the States also use

an automated food instrument processing system to conduct a variety of checks to detect food instrument errors.

State agencies are required to design and implement a system to review food instruments to detect errors. Over half of the States use the same eight basic edits to verify the food instrument information. These edits include the purchase amount exceeding the value of the food instrument, improper signature, or a reimbursement date beyond the expiration date. Beyond this set of common edits, however, States vary greatly in other types of checks conducted. All total, States reported at least 30 types of edits.

In addition to the above mentioned checks for accuracy and completeness, States also review food instruments to detect suspected overcharges by vendors. A significant majority (44) of States have a system for identifying potential overcharges and the majority of these States screen all their vendors. The redemption data analyses and reports vary greatly in level of sophistication, although the vast majority use some type of statistical analysis. The types of analyses range from simple bank lists of rejected food instruments to vendors with unusually large percentages of food instruments redeemed at high prices to vendors with unusually large percentages of the geographic area's total WIC redemptions.

The most common check (93% of the States) for overcharging is a comparison of the food instrument redemption value against the highest possible shelf prices. States vary in how they define current prices. About half the States that make this comparison, do so manually. Only 18% (9 states) of the states conduct analyses that use vendor characteristics such as store type or size to identify high risk vendors.

4.3 REPRESENTATIVE MONITORING

States establish monitoring systems to detect operational and procedural problems that result from vendor error, fraud or abuse. As part of these monitoring activities, States are required by

federal regulation to conduct on-site visits to at least 10 percent of their vendors to determine the types and levels of abuse and errors among participating vendors. About 37 percent of the States conduct visits to all of their vendors. Approximately 40 percent of the 50,000 WIC vendors received representative monitoring visits in fiscal year 87. Conducting representative monitoring visits is very labor intensive; only food instrument processing consumed more vendor management staff hours.

The types of information reviewed to select vendors for on-site visits varied greatly among the States. Information as simple as participant complaints and as complex as food instrument redemption analyses are used.

The States' discretion in representative monitoring activities is reflected in the variation in activities performed as preparation for and during the site visit. While almost all States review previous monitoring documents or records of investigations and complaints before conducting visits, most States also review several types of other information. About half the States review additional information such as vendor price lists or vendor characteristics (e.g., ownership type). Only 25 percent review a sample of redeemed food instruments before making a visit.

States tend to perform on-site activities that will detect administrative violations or errors rather than serious Program offenses. For example, the most common on-site activities conducted by over 90% of the States, are interviews with store personnel, review of food instruments for accuracy, WIC inventory checks, and observation of store operations. Fewer states conduct activities that would detect serious offenses such as charging prices in excess of shelf price (55%) or providing unauthorized food items (20%).

4.4 HIGH RISK MONITORING

High risk monitoring systems are set up to detect potential vendor fraud and serious forms of abuse. States select vendors for high risk investigations based on information or analyses indicating potential fraudulent or abusive vendor behavior.

The overwhelming majority of States use redeemed food instrument data and statistical analyses, with varying degrees of sophistication, to identify high risk vendors. The majority of States use the same reports or analyses. These analyses include:

- o dollar WIC volume (80%);
- o high average food instrument prices (67%);
- o comparison of redeemed prices against a shelf price list (59%);
- o high percentage of high priced foods (55%); and,
- o large increase in dollar volume of redemptions (53%).

It is not unusual for these analyses to be manual. For example, only 54 percent of the States that use shelf price data have that data automated.

Comparing WIC food prices to shelf prices are part of most high risk systems (71%). However, States do not collect shelf prices on a frequent, continual basis. About 40% of the States collect prices less often than quarterly.

Once States have identified high risk vendors, compliance buys are most often used for investigation. Safe buys are used by almost all of the States (89%) but a majority also test for minor (78%) or major (64%) substitution.

4.5 CORRECTIVE ACTIONS

The types of sanctions applied to vendors in violation of Program rules and regulations are very similar. The most commonly

used corrective actions are warning letters and disqualification. Also, the types of vendor offenses resulting in sanctions are very similar across the States. Most States (80%) impose disqualification for the same set of offenses including trafficking (exchanging cash or credit for food instruments) or charging for food items not received.

States vary in the number of occurrences required for disqualification and in the length of the disqualification period. The number of occurrences before sanctions are applied ranges from one to 10 and the length of disqualification ranges from one to 36 months. Even for the most serious offense of trafficking, the severity of the sanction varies from 2 to 36 months. Few vendors successfully appeal or reduce their sanctions.

4.5 STATE VENDOR MANAGEMENT STRUCTURE AND COSTS

Most often States have a centralized vendor management system with routine operational activities conducted at the local level. All but three States have a vendor manager position, although the position may be part-time and may have other responsibilities.

Staff costs are the largest proportion of WIC State administrative and services expenditures. Food instrument processing and vendor monitoring are the largest proportion of staff costs. States vary in the functions they choose to use their remaining resources.

APPENDIX A
Data Managment Procedures

DATA MANAGEMENT PROCEDURES

INTRODUCTION

This Appendix describes the data management procedures that were used to ensure the complete and accurate conversion of survey responses to the tabulations produced as preliminary findings and to the variables used for descriptive analysis.

Survey data processing involves document receipt and control procedures for survey instruments and the manual editing and data verification that ensure the completeness and accuracy of the survey data. Data management includes any additional editing of the data to correct errors or inconsistencies not detected during manual edit and resolution, organizing and linking questionnaire item responses with analytic variables and constructs, transforming data into a database, and, ultimately, storing and using the database. The data management activities involved in developing the WIC State Agency Vendor Management Survey database are described in this Appendix in three sections:

- o Database development
- o Coding procedures
- o Editing

The section on database development discusses data file organization and development, data manipulation, and the treatment of missing data. The section on coding procedures describes the conversion of verbal responses to quantitative measures and the construction of new variables. The section on editing describes procedures used to correct errors and inconsistencies that were not detected during the manual edit or that were introduced during coding and keypunching.

DATABASE DEVELOPMENT

The WIC State Agency Vendor Management Survey database was composed of five data files. Each data file corresponded to a distinct component of the Part A and Part B survey data and to supplementary data from WIC program reporting mechanisms that were used in the survey data analysis.

Each of these files contained the original measures present in the Part A and Part B survey instruments, edited and corrected. These basic files were used to develop various derived and calculated variables. The greatest number of manipulations were performed on the Staff Position Worksheet data file and the Other Direct Cost Worksheet data file.

Simple survey processing procedures provided first-level, manual data quality control for missing and erroneous data. Second-level data quality control, performed during data file development, assessed interrelationships among responses and compared responses on codependent questions. Questions on the Part A and Part B survey instruments that requested counts, rather than judgments or attributions, were expected to be the most likely source of missing data, either because the State agency was unwilling to collect the information from existing records, or because the information was not maintained in the form requested. For example, among the survey questions that were checked closely for missing data were those asking for numbers of vendors authorized and reauthorized, numbers of vendors disqualified, numbers of compliance buys per high-risk vendor, and so forth.

In addition, each of the items on the Part A Staff Position Worksheets and Other Direct Cost Worksheets submitted with the Part A survey instrument was carefully inspected for completeness. Other Direct Cost Worksheets were examined for correct calculation

of percentages across functional categories. The Staff Position Worksheets were examined for inclusion of separate sheets for the following positions:

- o WIC State Director
- o WIC vendor coordinator or the equivalent
- o Clerical and support staff
- o Secretarial support

All calculations performed by State staff for the worksheets were recalculated by hand prior to database entry. Obvious errors were corrected. The data were then tested for inconsistencies between the entered and calculated total FTE allocations. Remaining discrepancies were clarified directly by calling the respondent.

All of the 49 WIC State agencies in the survey population submitted a Part A survey instrument. Overall survey response, therefore, was 100 percent. As expected, however, item nonresponse on individual Part A survey instruments was more problematic. After intensive follow-up, responses were missing for approximately 10 to 15 percent of the items across the three Part A and the one Part B survey data files. Five States submitted no other direct cost or staff position data. Another 11 States did not provide estimates for the percentage of total other direct costs allocated to specific vendor management activities. Two States declined to provide any information on staff positions.

CODING PROCEDURES

Approximately 75 percent of the questions on the Part A survey instrument contained open-ended response categories, and the majority of the questions on the Part B survey instrument were open-ended. Open-ended response categories and questions were

included in the survey question format in order to elicit the details of State-level variations in the implementation of vendor management practices. Since the variations in States' approaches to controlling WIC vendor fraud and serious abuse are less well known than those of other vendor management activities, most questions on the Part B survey instrument were designed in an open-ended format, with several probes to determine the specialized features of State systems. This section describes the procedures that were used to assign codes to the responses to open-ended questions on both survey instruments.

Coding Write-in Responses to the Part A Survey Instrument

Write-in responses to open-ended response categories on the Part A survey instrument were coded in a three-step procedure. First, a master list of write-in responses was prepared by recording the write-in response given by each State respondent to open-ended response categories. The master list was organized by survey question number. For each question that contained open-ended response categories, the response category number, state identification number, and actual response were recorded.

Second, the write-in responses to the open-ended questions were examined to determine the appropriate code designation. If the write-in response duplicated an alternative stated in one of the fixed-response categories for the question, the write-in response was assigned a code representing the fixed-response category. If the write-in response represented a new alternative, a unique numeric value was assigned.

Third, following initial coding, tabulation, and review, selected write-in responses were recoded. The revised coding designations included assignment of write-in responses to existing fixed-response categories, assignment of responses with unique

codes to broader response categories, and designation of additional unique codes. All revisions to the original code designations were documented in the master list of write-in responses.

Coding Verbal Responses to the Part B Instrument

Three-fourths of the questions in the Part B instrument were open-ended in format. The procedures used to code the responses to these questions were different from those used to code responses to open-ended questions on the Part A survey instrument. To facilitate the coding process, the Part B interview data file was created initially using EXCEL spreadsheet software. The data file was organized by State, with individual records for Questions 1A through 5A, including both numeric and verbal responses. Numeric responses were keyed directly into the corresponding column in the individual State record. Verbal responses were keyed initially into the subtext of the Part B data file structure, immediately below the column corresponding to the question. The verbal responses keyed for the first four or five States, as unique alternative responses to individual open-ended questions, established the code structure for each question. Before verbal responses for the remaining States were keyed, they were compared with the responses already entered and coded. If the verbal response to a question from an unkeyed State was similar to a response already keyed and coded, it was assigned the code for that response. If the unkeyed verbal response was a unique alternative, it was key-entered and assigned a unique code. The assigned code was then keyed into the column in the data file corresponding to the question or subquestion. This procedure was followed for each of the verbal responses in turn. For the Part B data, therefore, coding and recoding proceeded simultaneously.

Construction of New Variables

A number of variables were constructed during data analysis. These variables were not constructed and added to the data files as such, but were calculated from existing variables each time tabulations were produced.

For example, variables derived from the cost questions included:

- o **Percent of Total Annual Administrative Costs Expended on WIC Vendor Management.** This variable was calculated by totaling the reported FY 1987 salary and other direct costs from the Staff Position and Other Direct Cost Worksheets (adjusted for percent allocation figures) divided by the total FY 1987 service and administrative budget given in Question 60.
- o **Percent of Total Annual WIC Budget Expended on WIC Vendor Management.** This variable was calculated by totaling the reported FY 1987 salary and other direct costs from the Staff Position and Other Direct Cost Worksheets (adjusted for percent allocation figures) divided by the total FY 1987 WIC budget expenditure given in Question 60.

These variables were used to rank, classify, or compare the States.

EDITING

During the preparation and review of the three preliminary reports of survey findings, missing data and discrepancies among frequencies for survey items were observed in both the Part A and

Part B data. To ensure the completeness and accuracy of the data, additional editing and verification were performed by comparing the initial frequencies and tabulations with subsequent frequencies, tabulations, and item-by-item responses. Four major edits of this type were carried out:

- o Resolution of discrepancies between initial Part A survey data tabulations and subsequent Part A item frequencies
- o Manual verification of selected Part B tabulations
- o Comparison of selected Part B manual tabulations with automated tabulations
- o Comparison of survey item responses to the automated data file entries

APPENDIX B
INSTRUMENTATION

THE SUPPLEMENTAL FOOD PROGRAM FOR WOMEN, INFANTS AND
CHILDREN (WIC) VENDOR MANAGEMENT STUDY

STATE WIC AGENCY VENDOR MANAGEMENT QUESTIONNAIRE

BACKGROUND

This questionnaire is part of a study of State vendor management policies and practices in retail food delivery systems. The Study is funded by the Office of Analysis and Evaluation, Food and Nutrition Service (FNS). The information you provide will help WIC administrators at the Federal, Regional, State and Local Office level better understand State and local agency vendor management activities. The products of the study will be intended for use by State WIC Directors, their staffs and FNS managers. Copies of study products and reports will be available after the study is completed.

The overall focus of the questionnaire is on retail food delivery systems and vendor management practices as they existed for each State's most recent annual reporting period. If your State also operates a home delivery system, the characteristics of that system should not be included in questionnaire responses.

The questionnaire has two major sections. Part A requests key descriptive information about WIC vendor management systems. It is self-administered and should be returned by mail. Part B deals with the efforts of States and their local agencies to prevent, detect, and correct vendor fraud and serious forms of abuse. 2-6 weeks after returning Part A, States will be interviewed by telephone, using Part B. Please have all asterisked items in Part B completed by that time.

Should you have any questions, please call Mark Harland, the WIC Vendor Management Study Project Director at (301) 590-3835.

Before completing any questionnaire section, please complete the following information below:

Name and Title of Person Completing This Form: _____

Agency/Division/Program Name: _____

Street Address: _____

Area Code/Telephone No.: _____ / _____

Date: _____ / _____ / _____

We appreciate your cooperation in providing this information. Part-A of the questionnaire, together with requested documents, should be completed and returned within three (3) weeks of receipt to:

WIC Vendor Management Study
Professional Management Associates, Inc.
1355 Piccard Drive, Suite 350
Rockville, Maryland 20850

PLEASE READ BEFORE GOING FURTHER

INSTRUCTIONS FOR COMPLETING THIS QUESTIONNAIRE

Please take time to read each question and its response options carefully, and respond as completely and specifically as possible.

- o Circle the number(s) corresponding to the response(s) you have selected.
- o If the item Does Not Apply, write-in the letters "NA," if this response option is not already provided. If you Don't Know the information, write-in the letters "DK," if this response option is not already provided.
- o Data or other information should represent all authorized outlets of vendors, that is, data on each individual store within a chain should be included. If the State agency is unable to provide data or other information for all outlets, a note to that effect should be provided in the final question of the form.
- o Data provided should be for fiscal Year 1987.

KEY DEFINITIONS

Abuse: The systematic disregard of policies and procedures by a vendor that produces unintended use of Program funds but is not the result of actions explicitly prohibited by law or regulation.

Corrective Action: Penalties imposed on a vendor for WIC program violations, criminal conviction, or administrative offense. Such penalties include: temporary or permanent **disqualification** (termination of WIC participation of an authorized vendor), **civil money penalties** (CMP) in lieu of disqualification, **penalty points**, **probation**, and **warnings**.

Food Instrument (FI): A voucher, check coupon, or other document which is used by a participant to obtain supplemental foods or other benefits.

Fraud: The intentional violation of contracts, State law, or Federal law by a vendor for the purpose of illegally acquiring income.

Local Agency (LA): A public or private, non-profit health or human service agency which provides health services, either directly or through contract, in accordance with subsection 246.5 of 7 CFR 246. Local agencies are typically county public health departments, public or private nonprofit hospitals, community action agencies, and local human services agencies.

Vendor Limitation: The establishment of maximums for the number of authorized vendors which will be allowed in a State or local agency.

Vendor Selection: The process of identifying vendors for authorization within the limitations established by the State or local agency.

VENDOR MANAGEMENT OPERATIONS

Limitation and Selection

1. How important are each of the following potential objectives of your State's vendor authorization process? (RANK IN THE ORDER OF IMPORTANCE AND SHOW EQUAL IMPORTANCE BY GIVING THE SAME RANK TO EQUIVALENT OBJECTIVES; 1 = MOST IMPORTANT, 2 = NEXT MOST IMPORTANT, ETC.)

- a... Limit the number of WIC vendors
- b... Limit the type of WIC vendors
- c... Increase participant convenience
- d... Reduce risk of selecting fraudulent vendors
- e... Establish vendor price levels
- f... Establish vendor minimum stock levels
- g... Other (please specify) _____

2. In which of the following areas are minimum standards used to determine which vendors are eligible for authorization? (CIRCLE ALL NUMBERS THAT APPLY.)

- 1... Past WIC performance
- 2... Past Food Stamp performance
- 3... Past other performance (e.g., legal, criminal)
- 4... Geography/accessability
- 5... Prices
- 6... Stock
- 7... No criteria need be met to be an authorized WIC vendor
- 8... Other (please specify) _____

3. Within your State are limits established on the number of vendors that can be authorized? (For example, not all eligible vendors are authorized.)

- 1... Yes
- 2... No (Skip to Question 5.)

4. When limiting the number of vendors, which criteria are used and how important are they? Please rank each of the following factors according to how important each is in initial WIC vendor selection: (1= MOST IMPORTANT, 2=NEXT MOST IMPORTANT, ETC; NA=NOT USED).

a... Competitive prices	_____
b... Adequacy of WIC food inventory	_____
c... Store location	_____
d... Store hours	_____
e... Store type	_____
f... Store size	_____
g... Food Stamp Program authorization	_____
h... Sanitary conditions of store	_____
i... Other (please specify) _____	_____

5. As part of the authorization process, are vendors required to complete a standard State application package (e.g., consisting of the application and supporting documents)? (CIRCLE ONLY ONE NUMBER.)

1... Yes, application package is standard throughout the State (PLEASE
ENCLOSE A COPY OF THE FULL APPLICATION PACKAGE).
2... Yes, application package is standard by each local agency jurisdiction
3... No, there is no standardized package for application

6. Which of the following practices are used to process WIC vendor applications? (CIRCLE ALL NUMBERS THAT APPLY.)

1... Distribute applications to all vendors
2... Only distribute applications to vendors who request them
3... Only distribute applications to vendors designated by State or local
WIC agency
4... Visit applying vendors
5... Review applications only
6... Verify some or all information provided on application and supporting
documents
7... Conduct a separate check of information with Food Stamp Program
8... Other (please specify) _____

7. For vendors applying for the first time, which of the following types of information are checked for accuracy and acceptability? If certain information is checked, please indicate whether it is checked during a visit to the vendor, or as part of an office review of the application. (CIRCLE "1" OR "2" FOR EACH TYPE OF INFORMATION CHECKED TO INDICATE HOW IT IS CHECKED.)

TYPE OF INFORMATION		CHECKED DURING VISIT TO VENDOR	CHECKED AS PART OF OFFICE REVIEW
a.	Price levels	1	2
b.	Adequacy of WIC food inventory	1	2
c.	Store location	1	2
d.	Store hours	1	2
e.	Store type	1	2
f.	Store size	1	2
g.	Food Stamp program authorization	1	2
h.	Sanitary conditions of store	1	2
i.	Gross annual sales level	1	2
j.	Ownership information	1	2
k.	Other (specify)	1	2
		1	2
		1	2

8. Are visits to first time vendor applicants conducted prior to or after formal submission of a completed application form by the vendor?

1... Before submission of the completed application form

2... After submission of the completed application form

3... It varies with the type of vendor (please specify) _____

PLEASE ENCLOSE A COPY OF THE FORM
USED WHEN VISITING VENDORS

9. Are WIC vendors required to submit periodic documentation related to their continued eligibility during the authorization period (e.g., price or inventory records, number of WIC participants)?

1... Yes, all vendors must submit this information

2... Yes, only vendors selected for representative monitoring must submit
this information

3... No

10. If YES, what information are WIC vendors required to submit and at what frequency?

Information

Frequency

11. Has the State WIC vendor selection procedure been codified in State law or regulation?

1... Yes

2... No

IF YES, PLEASE ENCLOSE A COPY OF THE
RELEVANT STATE LAWS OR REGULATIONS

Authorization and Reauthorization

12. At what times of year can vendors initially apply for authorization?

1... At any time

2... During certain months (please specify) _____

13. For what period of time are vendors authorized to participate?

1... One year

2... Two years

3... Open-ended

4... Other (please specify) _____

14. For FY 1987, how many vendors in each of categories a, b, and c applied for WIC authorization? How many of these were actually authorized?

	No. of Vendors Applied for WIC Authorization	No. of Vendors Actually Authorized
a. For first time applicants?	_____	_____
b. For reauthorizations?	_____	_____
c. As re-applicants following disqual- ification from WIC?	_____	_____
Totals	_____	_____

15. Who initially hears appeals of vendors denied authorizations?

- 1... State appeals officer
2... Local appeals officer
3... Other (please specify) _____

16. Which of the following criteria are used by your State for reauthorizing WIC-authorized vendors? (CIRCLE ALL NUMBERS THAT APPLY)

- 1... Criteria for reauthorizing WIC-certified vendors do not differ from those used for initial selection
2... Competitive prices
3... Adequacy of WIC inventory
4... Store location
5... Store hours
6... Store type
7... Store size
8... Food Stamp history
9... Sanitary conditions
10... Volume of WIC sales
11... Other (please specify) _____
12... Reauthorization is automatic for vendors with acceptable WIC compliance history

17. Does your State use different or additional criteria (from those indicated in Question 16) for reauthorizing a vendor **previously disqualified** from WIC?

- 1... Yes
2... No

- 17a. If YES, what are they? (please specify) _____

18. Does your State currently use any information from the Food Stamp Program (FSP) in the selection or reauthorization process?
- 1... Yes
2... No
- 18a. If YES, which of the following FSP information is used? (CIRCLE ALL NUMBERS THAT APPLY)
- 1... FSP authorization
2... Acceptable FSP compliance history
3... FSP sanction information
4... Other types of data available from FSP (please specify) _____

Training

19. Does your State have minimum training requirements for vendors?
- 1... Yes
2... No
- 19a. If YES, what are these minimum training requirements? (please specify)

**PLEASE ENCLOSE A COPY OF
VENDOR TRAINING PACKET**

20. How are training needs determined? (CIRCLE ALL NUMBERS THAT APPLY.)
- 1... Federal WIC regulations
2... State regulations
3... Results of high-risk monitoring
4... Results of representative monitoring
5... Following educational visits to vendors
6... Review of monitoring and sanction statistics
7... Review of redemption data
8... Requests from vendors
9... Other (please specify) _____

21. Last year, how many training sessions (including those conducted during representative monitoring visits) were held with:
- 1... Groups of vendors? _____
 - 2... One vendor outlet at a time? _____
 - 3... All vendors? _____
22. Which of the following topics did these training sessions emphasize? (CIRCLE ALL NUMBERS THAT APPLY.)
- 1... WIC inventory requirements
 - 2... Maintenance of WIC records
 - 3... WIC transactions
 - 4... Food instrument redemption procedures
 - 5... Penalties and sanctions for noncompliance
 - 6... Procedures for appeal
 - 7... Other (please specify) _____
- _____
- _____
23. What methods are primarily used to train vendors? (CIRCLE ALL NUMBERS THAT APPLY.)
- 1... Specialized technical assistance
 - 2... Meetings/conferences (in-store)
 - 3... Meetings/conferences (out-of-store)
 - 4... Written materials
 - 5... Audio-visual materials
 - 6... Vendor hotline
 - 7... Compliance buys (WHAT TYPE?) _____
 - 8... Other (please specify) _____
- _____
- _____
24. What method(s) are primarily used to determine the effectiveness of vendor training? (CIRCLE ALL NUMBERS THAT APPLY.)
- 1... Written tests of knowledge, policies, and practices
 - 2... Statistical indicators (please specify) _____
- _____
- 3... Compliance buys
 - 4... Record reviews
 - 5... Informal feedback from vendors
 - 6... Other (please specify) _____
- _____

25. On what occasions, and from what source, do vendors primarily receive formal training? (CIRCLE THE LETTERS THAT DESIGNATE THE OCCASIONS WHEN VENDOR RECEIVES FORMAL TRAINING; THEN CIRCLE THE ROWS CORRESPONDING NUMBER TO INDICATE WHO PROVIDES THE TRAINING ON THAT OCCASION.)

WHEN TRAINING IS PROVIDED	Regional/ State Agency	District Authority	Local Agency	Local Clinic	Other (Specify)
a. Prior to, or at the time of authorization	1	2	3	4	_____
b. As follow-up to an incident of <u>fraud</u> or <u>abuse</u> observed through high risk monitoring	1	2	3	4	_____
c. As follow-up to data and representative monitoring activities	1	2	3	4	_____
d. As follow-up to participant or vendor complaints	1	2	3	4	_____
e. Semi-annually	1	2	3	4	_____
f. Annually	1	2	3	4	_____
g. Bi-annually	1	2	3	4	_____
h. Upon request by the vendor	1	2	3	4	_____
i. At the discretion of the State or WIC agency	1	2	3	4	_____
j. Other (please specify) _____	1	2	3	4	_____

26. Do you provide formal training in vendor management practices for State and/or local agency staff?

1... Yes

2... No

26a. If YES, in which of the following areas? (CIRCLE ALL NUMBERS THAT APPLY.)

- 1... Selection of vendors
 - 2... Training of vendors
 - 3... Representative monitoring
 - 4... High Risk monitoring
 - 5... Compliance buys
 - 6... Stock audits
 - 7... Corrective actions and sanctions
 - 8... Criminal investigations
 - 9... Interpretation of Federal and/or State WIC regulations
 - 10.. Prevention of vendor fraud and serious forms of abuse
 - 11.. Other (please specify) _____
- _____
- _____

Food Instrument Redemptions

27. What types of food instruments are used in the State? (CIRCLE ALL NUMBERS THAT APPLY.)

- 1... Manual only
 - 2... Computer-generated batch process
 - 3... Computer-generated on-line
 - 4... Other (please specify) _____
- _____
- _____

28. Are separate food instruments used for different food types or participant categories? (CIRCLE ALL NUMBERS THAT APPLY.)

- 1... For each food type
 - 2... For each WIC participant category (Women, Infants, and Children)
 - 3... Both for food types and participant categories
 - 4... Some other way of grouping (PLEASE EXPLAIN) _____
- _____
- _____

29. What reports dealing with food vendor and instrument redemptions are periodically produced? (CIRCLE ALL NUMBERS THAT APPLY.) For each of the vendor reports produced, please specify the time period for which data are reported.

TYPE OF REPORT	Reporting Period				
	Weekly	Monthly	Bi-Monthly	Quarterly	Annually
a. Alpha or numeric listing of authorized vendors	1	2	3	4	5
b. Listing of WIC business volume by vendor	1	2	3	4	5
c. Bank or State agency reports of rejected food instruments	1	2	3	4	5
d. Comparisons of redeemed prices against vendor price list by vendor	1	2	3	4	5
e. Unusually small amount of variation (variance) in food instrument prices by vendor	1	2	3	4	5
f. Unusually high average food instrument prices by vendor	1	2	3	4	5
g. Unusually large percentage of high priced food instruments by vendor	1	2	3	4	5
h. Unusually large percentage of food instruments redeemed at the same price by vendor	1	2	3	4	5

29. (Continued)

TYPE OF REPORT	Reporting Period				
	Weekly	Monthly	Bi-Monthly	Quarterly	Annually
i. Consistently redeeming food instruments at a fixed amount or percentage below the "not to exceed" limit by vendor	1	2	3	4	5
j. Unusually large increase in the dollar volume of food instruments redeemed over time by vendor	1	2	3	4	5
k. WIC sales as an unusually high percentage of total sales by vendor	1	2	3	4	5
l. Unusually large percentage of manually issued food instruments by vendor	1	2	3	4	5
m. Unusually large numbers of food instruments with consecutive serial numbers by vendor	1	2	3	4	5
n. Unusually large numbers of participants redeeming vouchers outside of their health service area by vendor	1	2	3	4	5
o. Unusually large number of participants considered to be at high health risk redeeming vouchers with vendor	1	2	3	4	5

29. (Continued)

TYPE OF REPORT	Reporting Period				
	Weekly	Monthly	Bi-Monthly	Quarterly	Annually
p. Unusually large percentage of the area's total WIC redemptions	1	1	3	4	5
q. Other (please specify)	1	2	3	4	5

30. What organizational unit(s) reviews the reports indicated in Question 29 above? Why are these reviews conducted? (PLEASE BE SPECIFIC.) How often?

Organizational Unit	Purpose of Review	Frequency
a. _____	_____	_____
	_____	_____
	_____	_____
b. _____	_____	_____
	_____	_____
	_____	_____
c. _____	_____	_____
	_____	_____
	_____	_____

11. When processing vendor claims, which of the following tests (or checks) of food instruments are performed, who performs it, and when is it performed? Is that test performed to detect incorrect food instruments or to identify vendors? (CIRCLE ALL NUMBERS THAT APPLY FOR EACH ITEM)

Type of Edit or Check	Test Performed		By:		When Conducted			Purpose		
	Yes	No	State	Contr/ Bank	Pre- Payment	Post Payment	Both	Detect Incorrect F.I.S.	Identify Vendors	Both
a. Missing or illegible serial or claim number	1	2	1	2	1	2	3	1	2	3
b. Missing or illegible purchase date	1	2	1	2	1	2	3	1	2	3
c. Purchase date before expiration date	1	2	1	2	1	2	3	1	2	3
d. Reimbursement date beyond expiration date	1	2	1	2	1	2	3	1	2	3
e. Purchase amount exceeds value of food instrumt.	1	2	1	2	1	2	3	1	2	3
f. Food instrument is not properly signed	1	2	1	2	1	2	3	1	2	3
h. Vendor not authorized at time of purchase	1	2	1	2	1	2	3	1	2	3
i. Comparison of claim value against current food price data	1	2	1	2	1	2	3	1	2	3
j. Comparison of average claim value of individual outlets to average claims for similar outlets	1	2	1	2	1	2	3	1	2	3
k. Analyses to detect changes in redemption rates (e.g., month-to month or quarter-to quarter)	1	2	1	2	1	2	3	1	2	3
l. Comparison of redemption rates and values for different types of vendors	1	2	1	2	1	2	3	1	2	3
m. Other (please specify)	1	2	1	2	1	2	3	1	2	3

32. By what process does your State WIC agency recover vendor overpayments?
(CIRCLE ONLY ONE NUMBER.)

1 Collect overpayments retrospectively (after claim is paid)

2 Withhold amounts corresponding to prior overpayments from current or subsequent claims

3 A combination of the above (please describe) _____

4 Other (please describe) _____

5 Not applicable, pre-payment edits preclude overpayment recovery

REPRESENTATIVE MONITORING

33. How does your State select a sample of vendors for representative monitoring? (CIRCLE ALL NUMBERS THAT APPLY.)

- 1... Random sample
- 2... Review of vendor redemption statistics
- 3... Rotation basis
- 4... Complaints by other vendors or participants
- 5... WIC redemption volume
- 6... All vendors receive representative monitoring
- 7... Other (please specify) _____
- 8... Record review (please specify) _____

34. What types of records are reviewed prior to a representative monitoring visit? (CIRCLE ALL NUMBERS THAT APPLY.)

- 1... Previous monitoring and action documents
 - 2... Statistical indicators (please specify) _____
 - 3... Vendor price lists
 - 4... A sample of redeemed food instruments
 - 5... Investigation records, complaints, or WIC program violations
 - 6... Vendor characteristics (e.g., ownership information, annual dollar volume, store type)
 - 7... Other (please specify) _____
- _____
- _____

35. Last year, how many vendors selected for representative monitoring were visited? _____ VENDORS

36. What activities occur during representative monitoring visits? (CIRCLE ALL NUMBERS THAT APPLY.)

- 1... Specialized technical assistance with a particular problem
- 2... Vendor training
- 3... Compliance buys
- 4... Observations of store operations
- 5... Interviews with owner/manager/cashier(s)
- 6... WIC records review
- 7... WIC inventory check
- 8... Review of food instruments (F.I.s) for accuracy
- 9... F.I./food price comparison
- 10... Other (please specify) _____

37. Approximately how long does the average representative monitoring visit take to complete?

_____ MINUTES

38. Last year, how many vendors who were considered at high risk to commit fraud or serious forms of abuse were initially identified through representative monitoring?

_____ VENDORS

39. How are vendors informed of the results of representative monitoring visits? (CIRCLE ALL NUMBERS THAT APPLY.)

1... During the monitoring visit or at the end of it

2... Vendors are mailed a written copy of the results

3... During vendor training sessions

4... During reauthorization

5... Other (please specify) _____

PLEASE ENCLOSE A COPY OF THE FORM USED DURING
REPRESENTATIVE MONITORING VISITS

CORRECTIVE ACTIONS

40. How are vendors informed of the penalties associated with WIC program offenses? (CIRCLE ALL NUMBERS THAT APPLY.)

- 1... State WIC sanction policy is included in the WIC vendor agreement
- 2... Point system for sanctions is enclosed with the WIC vendor agreement
- 3... Penalties for offenses are explained during vendor training sessions
- 4... Vendor manual, with a description of penalties, is provided at authorization
- 5... Penalties for offenses are described at reauthorization
- 6... Other (please specify) _____

41. Which of the following are part of your State's sanction system? (CIRCLE ALL NUMBERS THAT APPLY.)

- 1... Civil money penalties (fines in lieu of disqualification)
- 2... Other types of fines
- 3... Warning letters
- 4... Probation periods
- 5... Disqualification
- 6... Other (please specify) _____

42. For each of the following violations, indicate the minimum number of times each must be committed to result in disqualification, and the resulting disqualification period. (IF YOUR STATE DOES NOT IMPOSE A SANCTION FOR A PARTICULAR VIOLATION, WRITE "NA" ON THE LINE NEXT TO THAT VIOLATION; IF A PARTICULAR VIOLATION DOES NOT LEAD TO DISQUALIFICATION, WRITE "0" ON THAT LINE.)

<u>Violation</u>	<u>Number of Occurrences</u>	<u>Disqualification Period In Months</u>
a. Claiming reimbursement for the sale of an amount of a specific food item which exceeds the store's documented purchases of that food item for a specified period of time.	_____	_____
b. Exchanging cash or credit for WIC food instruments.	_____	_____
c. Receiving, transacting and/or redeeming WIC food instruments outside of authorized channels.	_____	_____
d. Accepting WIC food instruments from unauthorized persons.	_____	_____
e. Exchanging non-food items for a WIC food instrument.	_____	_____
f. Charging WIC customers more for food than non-WIC customers or charging WIC customers more than the current shelf price.	_____	_____
g. Charging for food items not received by the WIC customer or for foods provided in excess of those listed on the food instrument.	_____	_____
h. Stocking insufficient quantities of WIC-approved foods.	_____	_____
i. Providing non-WIC-approved foods.	_____	_____
j. Failure to provide store or outlet inventory records when requested.	_____	_____
k. Failure to allow monitoring of store by WIC personnel; failure to provide food instruments for review when requested.	_____	_____

42. (Continued)

<u>Violation</u>	<u>Number of Occurrences</u>	<u>Disqualification Period In Months</u>
l. Disqualification from the Food Stamp Program.	_____	_____
m. Shelf prices are too high.	_____	_____
n. Failure to turn in required data (e.g., price cards).	_____	_____
o. Other violations leading to disqualification (please specify).	_____	_____

43. Is a penalty point system used in the State?

1... Yes

2... No

PLEASE ENCLOSE A DESCRIPTION OF YOUR STATE'S
SANCTION POLICY, POINT SYSTEM, AND SANCTION CATEGORIES,
IF THESE ARE USED

44. How many WIC vendors were disqualified for fraud or serious forms of abuse during the past year?

_____ VENDORS

44a. How many of these sanctioned vendors were originally identified by a systematic analysis of redeemed food instruments?

_____ VENDORS

44b. How many of these sanctioned vendors were originally identified through other methods?

_____ VENDORS

44c. Of these other methods used, provide a breakdown.

Complaints:	_____	VENDORS
Representative monitoring:	_____	VENDORS
Others (please specify)	_____	VENDORS

45. Of the vendors identified by your State's high risk system and later sanctioned, how many were investigated using:

a. Compliance buys	_____
b. Store audits	_____
c. Any other method or combination of methods (please describe)	_____

46. How many vendors identified by your State's high risk monitoring system appealed their sanctions?

_____ VENDORS

47. Of these vendors, how many were successful in reducing the sanction?

_____ VENDORS

47a. What were the major reasons for these sanctions being reduced? _____

48. Of these vendors, how many were successful in overturning the sanction?

_____ VENDORS

48a. What were the major reasons for sanctions being overturned? _____

PLEASE ENCLOSE A DESCRIPTION OF YOUR STATE'S
ADMINISTRATIVE APPEAL SYSTEM

49. During the past year, were any fines (including civil money penalties) imposed on vendors for fraud and serious forms of abuse? (DO NOT INCLUDE RECOVERY OF OVERPAYMENTS) (IF FINES WERE NOT IMPOSED, GO TO QUESTION 50). IF YES, what were the:

- a. Number of vendors fined _____
- b. Number of vendors fined who were detected by high risk monitoring _____
- c. Number of such vendors fined for fraud or serious forms of abuse _____
- d. Range in dollar amount of fines imposed on such vendors
Maximum dollar value \$ _____
Minimum dollar value \$ _____

50. During the past year, were there any cases of WIC vendor fraud that resulted in a criminal conviction? (IF THERE WERE NO CRIMINAL CONVICTIONS, GO TO QUESTION 51.) IF YES, what were the:

- a. Number of vendors indicted for fraud _____
- b. Number of vendors convicted for fraud _____
- c. Number of convicted vendors detected using the State's high risk monitoring system _____
- d. Number of such convictions appealed judicially _____
- e. Number of appeals sustained by higher courts _____
- f. Number of claims adjusted by the State _____
- g. Number of appeals lost by the State in court _____
- h. Estimated average cost for state agency participation in judicial process _____
- i. What were the major reasons for the State losing these judicial appeals? _____

51. Please provide the following information relative to fair hearings.

a. Estimate the average cost to the State agency per hearing? _____

b. Where are the fair hearings held? _____

c. Is the State legal counsel present during the hearing? _____

d. Is the WIC Program satisfied with their legal representation? Yes _____ No _____

e. If no, what needs to be improved? _____

ADMINISTRATIVE ISSUES

Data System Support

52. How are automated data processing (ADP) procedures used to support or streamline vendor management operations in each of the following areas? (CIRCLE ALL NUMBERS THAT APPLY.)

a. SELECTION/LIMITATION

- 1... Processes vendor application data
- 2... Indicates vendor applicants who do not meet authorization criteria
- 3... Maintains price data/levels by which stores are compared
- 4... Tracks vendor Food Stamp compliance history
- 5... Other (please specify) _____
- 6... ADP is not used in selection-related activities
- 7... Tracks dollar volume of WIC business
- 8... Reconciles redeemed food instruments with issuance logs

b. REPRESENTATIVE MONITORING

- 9... Identifies sample of vendors to be representatively monitored
- 10... Maintains results of representative monitoring in aggregate or individual vendor format
- 11... Maintains vendor monitoring schedules
- 12... Identifies vendor price changes
- 13... Updates established price levels used for vendor comparisons
- 14... Other (please specify) _____
- 15... ADP is not used in representative monitoring activities

c. HIGH RISK MONITORING

- 16... Tracks individual participant redemptions by vendor
- 17... Tracks redemption patterns by store type
- 18... Tracks redemption patterns by geographic area
- 19... Conducts food instrument edit (or check) for missing or illogical data
- 20... Compares redeemed prices with actual store shelf prices
- 21... Compares average claim value of individual outlets to average claims of peers
- 22... Conducts analysis to detect periodic changes in redemption rates
- 23... Compares redemption rates and values for different types of vendors
- 24... Maintains investigation and sanction results
- 25... Generates vendor profiles or data summaries
- 26... Information provided by Food Stamp Program authorities (please specify) _____
- 27... Other (please specify) _____
- 28... ADP is not used in high risk monitoring activities
- 29... At present, high risk monitoring is not conducted

d. OVERCHARGES/COLLECTIONS

30... Does the system flag food instruments for possible or actual overcharges?

Yes _____ No _____ If yes, describe indicator, e.g., over 125% of a specified price ceiling for each type of food instrument, specifying how the ceiling is established and how often it is adjusted.

31... Is the billing and/or collection process automated? Please explain.

Vendor Management System Characteristics and Staffing

53. Which of the following categories best describes the organizational structure of your State's WIC vendor management system? (CIRCLE ONLY ONE NUMBER.)

1... State Agency Centralized: Most WIC vendor management functions are performed by the State Agency, which coordinates clinics and vendors.

2... State Agency Regionalized: The State Agency delegates WIC vendor management functions to a State Agency subdivision or Regional/District authority, which in turn supervises local agencies which coordinate clinics and vendors.

3... State Agency/Local Agency Shared: Most WIC vendor management functions are coordinated by the State Agency, but delegated to local agencies which in turn coordinate clinics and vendors.

4.... Other (please specify): _____

54. Is there a State-level position for coordination of vendor management policy and similar responsibilities? Is it currently filled? (CIRCLE ONLY ONE NUMBER.)

1... Yes, and it is currently filled (GO TO QUESTION 55)

2... Yes, but it is not currently filled (GO TO QUESTION 55)

3... No, such a position does not exist (GO TO QUESTION 57)

55. If YES, is it a full-time or part-time position? (CIRCLE ONLY ONE NUMBER)

1... Full-time, only vendor management responsibilities

2... Full-time, other types of responsibilities as well

3... Part-time, only vendor management responsibilities

4... Other (please specify) _____

56. If the position is currently filled, how many hours per week does the vendor management coordinator spend on vendor management responsibilities?

_____ HOURS PER WEEK

57. Which agency or organization is **primarily** responsible for each of the following vendor management activities? (CIRCLE ONE NUMBER PER ROW.)

<u>ACTIVITY</u>	<u>Regional/ State Agency</u>	<u>District Authority</u>	<u>Local Agency</u>	<u>Local Clinic</u>	<u>Other (Specify)</u>
Developing Selection/ Limitation Criteria	1	2	3	4	_____
Vendor Selection	1	2	3	4	_____
Reviewing Vendor Applications	1	2	3	4	_____
Conducting Pre- authorization Site Visits	1	2	3	4	_____
Vendor Authorization and Reauthorization	1	2	3	4	_____
Signing Agreements with Vendors	1	2	3	4	_____
Vendor Training	1	2	3	4	_____
Making Payments to Vendors	1	2	3	4	_____
Representative Monitoring	1	2	3	4	_____
Reviewing Reports on Vendors	1	2	3	4	_____
Fraud and Abuse Investigations	1	2	3	4	_____
Sanctions	1	2	3	4	_____
Appeals	1	2	3	4	_____

58. Last year, how many WIC-authorized **outlets** were there for each type of store? What was the total annual dollar volume of F.I. redemptions for each type of store? (PROVIDE DATA FOR ALL THAT APPLY.)

	<u>Store Type</u>	<u>Number of Outlets</u>	<u>Approximate \$ Volume</u>
a.	Chain food stores (major or regional)	_____	\$ _____
b.	Large independent food stores (single units or small chains; 1-5 stores)	_____	\$ _____
c.	Small independent food stores (single-level management): neighborhood, convenience, mom and pop, deli, etc.	_____	\$ _____
d.	Chain pharmacies	_____	\$ _____
e.	Independent pharmacies	_____	\$ _____
f.	Other (please specify) _____	_____	\$ _____
g.	Not applicable, stores are not classified by type for any vendor management purpose	_____	

VENDOR COMPLAINTS REPORTED

59. On the average, how many complaints about specific WIC vendors **from any source** are received by your State per month?

_____ COMPLAINTS

- 59a. What types of complaints are most frequently received? (PLEASE SPECIFY.)

VENDOR MANAGEMENT COSTS

60. This section requests information about the level and distribution of resources your State uses for WIC vendor management at all levels, both State and local. It is not anticipated that your State would conduct additional detailed time and resource-usage studies to complete this section. Instead, please use the best information and judgment you have available or can draw on readily to answer the following questions. That is, please use the best judgment estimates of knowledgeable people in your State WIC Program in answering these questions.

Two types of worksheets are provided for entering the information requested. The first of these (State Staff Position Worksheet and its counterpart Local/Regional Staff Position Worksheet) seeks information on the level and distribution of the total staff resources directed to vendor management at all levels in your State (i.e., both State and local levels) for FY 1987. The second worksheet is for entering the other direct costs (besides personnel costs) of your State's vendor management efforts at both State and local levels for FY 1987.

Each of the two worksheets has three sections (A, B, and C). Section A in each requests information available in State office files and should be filled in accurately. Section B should be a reasonably accurate estimate drawn or extrapolated from State office records. Section C in each worksheet seeks information about how your State allocates resources among the different tasks or activities in vendor management. It is not expected that exact information is readily available for many of these task areas as such. Rather, Section C should be filled in with your best estimate of the overall distribution of vendor management resources among the different tasks or activities areas. For those areas where you do have hard data, please use the best information available.

Please review the definitions, instructions, and examples on the following pages before completing the worksheets. If you have any questions or problems, call Mark Harland at (301) 921-0010.

Vendor Management Cost Definitions

Definitions of WIC Vendor Management Activities: Each of the worksheets identifies a range of activities typically undertaken while managing WIC vendors. Please use these definitions when allocating estimated percent of time or percent of dollars as you complete each type of worksheet.

1. **General Administration/Supervision/Staff Training:** Includes processing personnel and payroll records for vendor management staff; planning, budgeting and accounting for vendor management activities; and supervising vendor management staff or activities and training staff.
2. **Authorization:** Includes everything between responding to initial inquiries from vendors interested in becoming authorized to redeem WIC vouchers to securing proper signatures on the agreement and filing. Includes designing, printing, distributing, and evaluating authorization materials, background checks, on-site authorization visits, and any training performed during authorization visits.

3. **Training and Retraining of Vendors:** Includes all vendor training (except training provided during authorization visit) and retraining activities, whether in-person, over the phone, or through the mail. Includes newsletters and Program updates.
4. **Routine Monitoring of Vendors:** Includes visits to vendors selected on a sample or other basis for the purpose of observing and assessing vendor's conformance with the agreement authorizing the vendor to redeem WIC vouchers. Also included are compliance buys intended to correct the vendor rather than sanction the vendor (sometimes known as training buys) and regular recordkeeping associated with routine monitoring.
5. **Complaint and Problem Resolution:** Includes those activities undertaken by vendor management personnel in response to problems with vendors. These can include: prices that are too high, stock that is too low, problems/complaints between vendors and participants, difficulty in obtaining specific foods, and vendors with problems with non-payment due to errors. This does not include routine monitoring or investigations (e.g., compliance buys or audits).
6. **Compliance Investigation:** Includes compliance buys, audits, and other evidence-gathering activities targeted at vendors suspected of fraud or other serious forms of abuse.
7. **Sanctions and Appeals:** Includes processing sanctions through the State's legal system or other administrative system, issuing notification of sanctions, scheduling hearings, presenting cases at hearings, implementing final determinations, calculating/imposing civil money penalties, and publicizing disqualifications.
8. **Food Instrument Redemption Processing:** Includes all processing of the food instrument, beginning at redemption by the participant and ending at reimbursement of vendor. It includes the collection and preparation of redemption data for use by the vendor management staff. It does not include collection and preparation of data necessary for reconciliation.
9. **Vendor Data Collection, Analysis, and Reports:** Includes the collection of information about vendor performance (including monitoring data, redemption data, and comparative data); the analysis of those data (including analyses to identify risk level of vendors); and the preparation of analytic and management reports.
10. **Collection of Overcharges:** Includes the analysis of overcharge data, issuance of bills for overcharges, and the recovery of overcharges.

Definition of Other Direct (Non-Personnel) Costs of Vendor Management: These budget items are taken from the WIC State Plan Guidance (WIC Administrative and Program Services Budget form, page 11 and 13). The same definitions and assumptions used on that form will be used in this survey as they apply to Vendor Management. One exception to this is that Communication and Travel are broken out separately.

Instructions for Completing the WIC Vendor Management Staff Position Worksheet

FY 1987

Please complete one worksheet for each position in your agency that worked directly or indirectly in WIC vendor management tasks or activities during Fiscal Year 1987. There is a staff position worksheet for State level staff and one for local, regional (district) level staff. You may use these worksheets to identify a class or group of people in similar positions. If you have more than one person in a position that has similar titles, position descriptions, similar or averaged full-time annual salary and benefit amounts, a similar percent of time spent on vendor management, and that time breaks down into similar percents of time spent on the same tasks or activities, then you may designate them with one worksheet by entering the number of persons in the position you are referencing. Definitions of these tasks and activities are provided on pages A.28 and A.29. Several copies of the worksheet are included. (If you need additional copies, please photocopy a blank worksheet.)

Enter the position title and a brief description of the position (i.e., what the person(s) in the position does). Also enter the number of persons entered on the worksheet. Then enter the full time annual base salary for that position. The actual salary is preferred; however, if you are not able to access specific salary information, enter the average salary for that position.

Next, enter the full-time annual salary-plus-benefits for that position (benefits are additional staff costs paid by the State and include retirement, insurance, Social Security, unemployment, and other programs particular to your State).

Section B asks that the percent of full-time spent on all WIC vendor management (Section B) across the various tasks or activities involved in vendor management.

Give your best estimate of the staff time allocation for each task area. Remember to break your staff out by State level and local and regional level positions and to complete a Position Worksheet for each staff position engaged in vendor management.

The following example worksheets illustrate a State that has a vendor coordinator. Because this is a unique State-level position, it is recorded by itself on a State Staff Position Worksheet. Section A is completed accurately from records, noting a 34% benefits rate. In FY 1987 this person spent about one day every two weeks with a team working on a special WIC project unrelated to vendor management (1 day divided by 10 days = .10 = 10%). This leaves ninety percent of full time to spend on vendor management tasks and this is recorded in Section B.

Because this position is the Vendor Coordinator, it is involved to a different extent in each vendor management task or activity except for food instrument redemption processing. The percent of time spent on these tasks is estimated and recorded in Section C. It totals to ninety percent, the same as in Section B.

The Vendor Coordinator shares half the support of a Secretary II position. This is also a unique State-level position, it is also filled out on a single State Staff Position Worksheet (see example).

This State also has a position named WIC Specialist, staffed with 20 people in clinics around the State. People in this position have different salaries, but they are all spread in the range of \$12,000 to \$15,000 annually. The average, \$13,500, is placed in Section A on a Local or Regional Staff Position Worksheet. This position can be summarized on one sheet because although not identical, their duties and salaries are generally the same. Monday through Thursday these WIC Specialists work in their clinics performing issuance of vouchers. On Friday, they perform vendor management tasks which are generally broken out across tasks in the same way. Twenty percent (1 day divided by 5 days = .20 = 20%) is entered in Section B and the breakdown of time spent on tasks is estimated for the group in general.

Instructions for Completing the WIC Vendor Management Costs Other Direct (Non-Personnel) Cost Worksheet - FY 1987

Complete one copy of the Other-Direct-Cost Worksheet for all vendor management activities in the State. Enter your best estimates for Fiscal Year 1987. An extra copy of the worksheet has been included for your convenience.

In Section A, enter the total FY 1987 dollars for each of the cost categories appearing in the left-hand column. These categories are generally the same as those used on the WIC Program cost-estimating form (WIC Administrative and Program Services Budget) prepared at the beginning of FY 1987 and submitted by your State to the Food and Nutrition Service. The only differences are that Communications and Travel are separated. The costs you report should include both State and Local Level costs charged against the WIC Program.

Section B asks for the dollar amount of expenditures reported in Section A that were spent on WIC vendor management activities. If this information is not specifically available, your best estimate should be entered.

The best approach to complete Section C will generally be to complete each row separately. Here you are asked to allocate the cost-category total, entered to the left in column B, across the specific vendor management tasks and activities. Because this information is not generally available, broken down into specific dollars, an estimated percentage allocation of the Section-B dollar entry is requested. If your State contracted out Food Instrument Redemption Processing, and this was the only activity that was contracted out in FY 1987, then 100 percent would be entered on that line.

If no funds were expended for a particular Other-Direct-Cost Category and WIC vendor management task combination, write "none" or "0" on that line.

Complete each row. When you are done, check that the percents total to 100 in each row.

If you know a specific dollar amount for a particular cost category (row) in a given vendor management task area (column), you may enter that dollar amount, as well as the row percent. You may find this method will increase the accuracy of the rest of your estimates of percentages as well as decrease the amount of time necessary to complete this worksheet.

**WIC VENDOR MANAGEMENT:
STATE STAFF POSITION WORKSHEET — FY 1987**

Please complete one worksheet for each state staff position carrying out direct vendor management activity OR general administration and/or supervision of vendor management staff or activity. If there is more than one person in a given position performing similar vendor management tasks, write the number of persons covered by the worksheet. Include all state staff in the position working on vendor monitoring, whether paid with federal, state, or other funds.

A: Position Title: Vendor Coordinator
 Position Description: Coordination of V.M. activities statewide
 Number of Persons in this Position: 1

Full-Time Annual
Base Salary:

\$ 20,000

Full-Time Annual
Salary + Benefit:

\$ 26,800

B: Vendor Management Task Activity Total

Enter the Estimated Total Percent of Full Time spent on direct vendor management activity or on general administration/supervision/training that is indirectly attributable to vendor management.

90 % OF FULL TIME

Estimated Breakdown of Total WIC Vendor Management Time By Specific Vendor Management Task or Activity

C: Enter the Estimated Percent of Full-Time spent on each separate WIC vendor management task or activity. The total should add up to the Total Percent of Full-Time spent on vendor management, as entered above in Part B. If no time is spent on the task, enter NONE or 0 on the line next to the task or activity. Round to the nearest whole percent.

ACTIVITY	PERCENT OF TIME
1. General Administration/Supervision/Staff Training.....	<u>20</u> %
2. Vendor Authorization.....	<u>5</u> %
3. Training and Retraining of Vendors.....	<u>5</u> %
4. Routine Monitoring of Vendors.....	<u>5</u> %
5. Complaint and Problem Resolution.....	<u>15</u> %
6. Compliance Investigation.....	<u>10</u> %
7. Sanctions and Appeals.....	<u>10</u> %
8. Food Instrument Redemption Processing.....	<u>0</u> %
9. Vendor Data Collection, Analysis, and Reports.....	<u>15</u> %
10. Collection of Overcharges.....	<u>5</u> %
Total Percent of Full Time Spent on Vendor Monitoring (same as Part B above).....	<u>90</u> %

**WIC VENDOR MANAGEMENT:
STATE STAFF POSITION WORKSHEET — FY 1987**

Please complete one worksheet for each state staff position carrying out direct vendor management activity OR general administration and/or supervision of vendor management staff or activity. If there is more than one person in a given position performing similar vendor management tasks, write the number of persons covered by the worksheet. Include all state staff in the position working on vendor monitoring, whether paid with federal, state, or other funds.

A: Position Title: Secretary II
 Position Description: Supports
Vendor Coordinator
 Number of Persons in this Position: 1

Full-Time Annual Base Salary: \$ 15,000
 Full-Time Annual Salary + Benefit: \$ 19,300

B: Vendor Management Task Activity Total

Enter the Estimated Total Percent of Full Time spent on direct vendor management activity or on general administration/supervision/training that is indirectly attributable to vendor management.

50 % OF FULL TIME

Estimated Breakdown of Total WIC Vendor Management Time By Specific Vendor Management Task or Activity

C: Enter the Estimated Percent of Full-Time spent on each separate WIC vendor management task or activity. The total should add up to the Total Percent of Full-Time spent on vendor management, as entered above in Part B. If no time is spent on the task, enter NONE or 0 on the line next to the task or activity. Round to the nearest whole percent.

ACTIVITY	PERCENT OF TIME
1. General Administration/Supervision/Staff Training.....	<u>0</u> %
2. Vendor Authorization.....	<u>20</u> %
3. Training and Retraining of Vendors.....	<u>10</u> %
4. Routine Monitoring of Vendors.....	<u>10</u> %
5. Complaint and Problem Resolution.....	<u>0</u> %
6. Compliance Investigation.....	<u>0</u> %
7. Sanctions and Appeals.....	<u>10</u> %
8. Food Instrument Redemption Processing.....	<u>0</u> %
9. Vendor Data Collection, Analysis, and Reports.....	<u>0</u> %
10. Collection of Overcharges.....	<u>0</u> %
Total Percent of Full Time Spent on Vendor Monitoring (same as Part B above).....	<u>50</u> %

**WIC VENDOR MANAGEMENT:
STATE STAFF POSITION WORKSHEET — FY 1987**

Please complete one worksheet for each state staff position carrying out direct vendor management activity OR general administration and/or supervision of vendor management staff or activity. If there is more than one person in a given position performing similar vendor management tasks, write the number of persons covered by the worksheet. Include all state staff in the position working on vendor monitoring, whether paid with federal, state, or other funds.

A: Position Title: _____
Position Description: _____
Number of Persons in this Position: _____

Full-Time Annual Base Salary: \$ _____
Full-Time Annual Salary + Benefit: \$ _____

B: Vendor Management Task Activity Total

Enter the Estimated Total Percent of Full Time spent on direct vendor management activity or on general administration/supervision/training that is indirectly attributable to vendor management.

_____ % OF FULL TIME

Estimated Breakdown of Total WIC Vendor Management Time By Specific Vendor Management Task or Activity

C: Enter the Estimated Percent of Full-Time spent on each separate WIC vendor management task or activity. The total should add up to the Total Percent of Full-Time spent on vendor management, as entered above in Part B. If no time is spent on the task, enter NONE or 0 on the line next to the task or activity. Round to the nearest whole percent.

ACTIVITY	PERCENT OF TIME
1. General Administration/Supervision/Staff Training.....	_____ %
2. Vendor Authorization.....	_____ %
3. Training and Retraining of Vendors.....	_____ %
4. Routine Monitoring of Vendors.....	_____ %
5. Complaint and Problem Resolution.....	_____ %
6. Compliance Investigation.....	_____ %
7. Sanctions and Appeals.....	_____ %
8. Food Instrument Redemption Processing.....	_____ %
9. Vendor Data Collection, Analysis, and Reports.....	_____ %
10. Collection of Overcharges.....	_____ %
Total Percent of Full Time Spent on Vendor Monitoring (same as Part B above).....	_____ %

WIC VENDOR MANAGEMENT:

LOCAL AND/OR REGIONAL STAFF POSITION WORKSHEET — FY 1987

Please complete one worksheet for each local and/or regional staff position carrying out direct vendor management activity OR general administration and/or supervision of vendor management staff or activity. If there is more than one person in a given position performing similar vendor management tasks, write the number of persons covered by the worksheet. Include all local and/or regional staff in the position working on vendor monitoring, whether paid with federal, state, or other funds.

A: Position Title: WIC Specialist
 Position Description: Clinical Clerk - Vendor Mngt. Field Rep.
 Number of Persons in this Position: 20

Full-Time Annual
Base Salary:

\$ 13,500

Full-Time Annual
Salary + Benefit:

\$ 18,090

B: Vendor Management Task Activity Total

Enter the Estimated Total Percent of Full Time spent on direct vendor management activity or on general administration/supervision/training that is indirectly attributable to vendor management.

20 % OF FULL TIME

Estimated Breakdown of Total WIC Vendor Management Time By Specific Vendor Management Task or Activity

C: Enter the Estimated Percent of Full-Time spent on each separate WIC vendor management task or activity. The total should add up to the Total Percent of Full-Time spent on vendor management, as entered above in Part B. If no time is spent on the task, enter NONE or 0 on the line next to the task or activity. Round to the nearest whole percent.

ACTIVITY

PERCENT OF TIME

1. General Administration/Supervision/Staff Training.....	<u>0</u> %
2. Vendor Authorization.....	<u>2</u> %
3. Training and Retraining of Vendors.....	<u>6</u> %
4. Routine Monitoring of Vendors.....	<u>6</u> %
5. Complaint and Problem Resolution.....	<u>5</u> %
6. Compliance Investigation.....	<u>0</u> %
7. Sanctions and Appeals.....	<u>0</u> %
8. Food Instrument Redemption Processing.....	<u>0</u> %
9. Vendor Data Collection, Analysis, and Reports.....	<u>1</u> %
10. Collection of Overcharges.....	<u>0</u> %

Total Percent of Full Time Spent on Vendor Monitoring
(same as Part B above)..... 20 %

WIC VENDOR MANAGEMENT:**LOCAL AND/OR REGIONAL STAFF POSITION WORKSHEET — FY 1987**

Please complete one worksheet for each local and/or regional staff position carrying out direct vendor management activity OR general administration and/or supervision of vendor management staff or activity. If there is more than one person in a given position performing similar vendor management tasks, write the number of persons covered by the worksheet. Include all local and/or regional staff in the position working on vendor monitoring, whether paid with federal, state, or other funds.

A: Position Title: _____
Position Description: _____
Number of Persons in this Position: _____

Full-Time Annual Base Salary: \$ _____
Full-Time Annual Salary + Benefit: \$ _____

B: Vendor Management Task Activity Total

Enter the Estimated Total Percent of Full Time spent on direct vendor management activity or on general administration/supervision/training that is indirectly attributable to vendor management.

_____ % OF FULL TIME

Estimated Breakdown of Total WIC Vendor Management Time By Specific Vendor Management Task or Activity

C: Enter the Estimated Percent of Full-Time spent on each separate WIC vendor management task or activity. The total should add up to the Total Percent of Full-Time spent on vendor management, as entered above in Part B. If no time is spent on the task, enter NONE or 0 on the line next to the task or activity. Round to the nearest whole percent.

ACTIVITY	PERCENT OF TIME
1. General Administration/Supervision/Staff Training.....	_____ %
2. Vendor Authorization.....	_____ %
3. Training and Retraining of Vendors.....	_____ %
4. Routine Monitoring of Vendors.....	_____ %
5. Complaint and Problem Resolution.....	_____ %
6. Compliance Investigation.....	_____ %
7. Sanctions and Appeals.....	_____ %
8. Food Instrument Redemption Processing.....	_____ %
9. Vendor Data Collection, Analysis, and Reports.....	_____ %
10. Collection of Overcharges.....	_____ %
Total Percent of Full Time Spent on Vendor Monitoring (same as Part B above).....	_____ %

WIC VENDOR MANAGEMENT COST:

OTHER DIRECT (NON-PERSONNEL) COST WORKSHEET- FY 1987

Please complete columns A, B, and all columns in C of this worksheet, identifying the dollar amounts and estimated percent allocations for each type of non-personnel cost and each vendor management task and activity. Refer to the definitions and instructions above before beginning. Be sure to include State and Federal funds.

C PERCENT ALLOCATION OF COSTS TO SPECIFIC VENDOR MANAGEMENT TASKS: For each other direct cost, enter the estimated percentage spent on each of the vendor management activities (1 – 10) listed below. Remember that the percents should add up to 100 in each column and that the percent is based on the entry in each row in B.												
A	B	1. Gen. Admin./Supervision/ Staff Training	2 Vendor Authorization	3 Training and Retraining of Vendors	4 Routine Monitoring of Vendors	5 Complaint and Problem Resolution	6 Compliance Investigation	7 Sanctions and Appeals	8 Food Instrument Redemption Processing	9 Vendor Data Collection, Analyze and Reports	10 Collection of Overcharges	TOTAL
Automated Data Processing	\$125,000	\$50,000	20%	0	5%	5%	0	0	20%	35%	10%	100%
Space Usage	\$65,000	\$3,000	65%	5%	0	5%	0	5%	0	10%	10%	100%
Equipment	\$78,000	\$1,500	100%	0	0	0	0	0	0	0	0	100%
Supplies	\$28,000	\$7,800	50%	15%	5%	0	5%	5%	0	5%	10%	100%
Communications	\$39,500	\$3,950	15%	5%	20%	25%	0	5%	0	15%	10%	100%
Travel	\$102,000	\$10,800	20%	15%	15%	9%	11%	15%	0	0	0	100%
Contracts	\$46,880	\$9,700	none	0	0	0	11%	8%	0	20%	0	100%
Other Major Cost's	\$12,000	\$150	50%	0	40%	0	0	0	0	10%	0	100%
Total	\$485,500	\$86,900										100%

DESCRIPTION OF OTHER MAJOR COST: *Theresa' Assoc. membership, periodical subscriptions*

Your FY 87 total WIC grant was reported as _____

Your FY 87 service and administration grant was reported as _____

61. Please review these figures. If they differ from your figures, please explain the difference.

62. Are any funds other than USDA-FNS funds spent on vendor management (dollars only, do not count in-kind contributions)?

1... Yes

2... No (SKIP TO QUESTION 65)

63. What is the source of these funds?

1... State government

2... Other (IDENTIFY) _____

64. What was the amount of these funds for FY 1987? \$ _____

65. Is there any reason FY 1987 would not be representative of your State's typical vendor management year?

1... Yes

2... No

If Yes, please explain _____

66. Are there any major in-kind contributions to WIC vendor management in your State that are significant?

1... Yes

2... No

If Yes, please explain _____

OMB No.: 05840370
Expires: November 30, 1988

THE SUPPLEMENTAL FOOD PROGRAM FOR WOMEN, INFANTS, AND
CHILDREN (WIC) VENDOR MANAGEMENT STUDY

STATE WIC AGENCY VENDOR MANAGEMENT QUESTIONNAIRE

PART B: HIGH-RISK VENDOR MANAGEMENT TELEPHONE INTERVIEW

* Please complete all items marked
with an asterisk prior to the telephone interview

PROFESSIONAL MANAGEMENT ASSOCIATES, INC.
1355 Piccard Drive, Suite 350
Rockville, Maryland 20850

PART B: HIGH-RISK VENDOR MANAGEMENT TELEPHONE INTERVIEW

INTERVIEWER INSTRUCTIONS: The respondent, most often the State's WIC Vendor Management Coordinator, will have received an abridged version of PART B prior to your call. The respondent will have had an opportunity to consider the questions. In order to respond to certain questions, it may be necessary for the respondent to confer with other agency staff, especially questions about the details of the identification component of the State's high-risk monitoring activities. This may necessitate interrupting the interview and rescheduling to complete the session. Or, you may speak directly with the staff member(s) who are most knowledgeable about specific activities undertaken as part of the State's high risk vendor management efforts.

PART A of the Questionnaire has been sent to each of the WIC State Agencies in advance. These State Agencies have been asked to complete and return Part A by mail. Please review Part A before conducting the interview.

RECORDING RESPONSES: Record all answers as close to verbatim as possible. For rating scales or other closed ended questions, mark the response that best corresponds to the answer given by the respondent. If you require additional space, use a note pad. Write the name of the State, the question number and section or probe number/letter in the top left hand corner of the additional page.

USE OF PROBES: Probes have been provided for those questions requiring that the respondent discuss or describe some aspect of the State's high-risk vendor management program. Use the letter next to each probe as a key when recording responses. The probes are not intended to be used literally as questions but should be used to structure your effort to obtain a full and complete response.

READ THE FOLLOWING STATEMENTS TO THE RESPONDENT AFTER YOU HAVE CALLED AT THE SCHEDULED TIME AND DATE:

Good (MORNING/AFTERNOON). My name is (INTERVIEWER NAME) and I am calling regarding the WIC Vendor Management Study to discuss high-risk vendor monitoring as it is practiced in (NAME OF STATE). Did you receive the questionnaire titled Part B: High-Risk Vendor Management Telephone Interview that was sent to you several weeks ago?

IF YES: Did you have a chance to review the questions prior to this call?

And, did you (OR SOMEONE ELSE IN YOUR OFFICE) complete the questions marked with an asterisk that asked for numeric information?

IF YES TO EITHER QUESTION: SKIP TO DESCRIPTION OF QUESTIONS.

IF NO: Would you prefer to spend more time before we conduct the interview?

IF YES, RESCHEDULE INTERVIEW.

IF NO, SKIP TO DESCRIPTION OF QUESTIONS.

IF NO: Let me send you another copy of the questions immediately, and I'll call in a few days to confirm that you received the package and to reschedule the interview.

RECORDING INTERVIEWS: The interviews' permission is required before taping a phone conversation. Ask the respondent if you may have their permission to tape the interview.

DESCRIPTION OF QUESTIONS: In the interview I will be asking you a series of questions about high-risk vendor management efforts in your State's WIC Program. We are especially interested in: how high risk vendors are defined, how fraud and serious forms of abuse by vendors are identified, how investigations are conducted and the methods used, what corrective actions are taken, as well as the results of these efforts. I will also be asking you questions about steps taken in your State to prevent fraud and serious forms of abuse by WIC vendors, and also some questions about factors related to implementing high-risk vendor management.

GENERAL INFORMATION

1. RECORD THE NAME OF THE STATE AND NAME, TITLE, AND TELEPHONE NUMBER OF EACH RESPONDENT.

NAME OF STATE: _____

RESPONDENT: _____

TITLE: _____

PHONE #: _____

RESPONDENT: _____

TITLE: _____

PHONE #: _____

2. In Part A of this survey you indicated that your agency's annual reporting period is (REPEAT PERIOD DATES). I need to confirm that this is the correct period and that it corresponds to the information you will be providing in this interview. (RECORD DEFINITION OF REPORTING PERIOD.)

STARTING MONTH: _____ ENDING MONTH: _____

IF THE RESPONDENT INQUIRES ABOUT THE CONFIDENTIALITY OF STATE-LEVEL DATA, READ THE FOLLOWING STATEMENT:

Confidentiality of all responses is not offered because the information you are providing will be summarized across States to describe State initiatives in WIC vendor management. Informal observations about WIC vendor management will not be reported.

I. IDENTIFICATION OF HIGH RISK VENDORS

Now, I would like to ask a series of questions about your State's methods and bases for identifying high risk WIC vendors. In the next few questions, I will be focusing on how your State determines whether or not a vendor may be high risk. Later, I will ask how your State investigates and proves that fraud or a serious form of vendor abuse has occurred.

IA. What are the main systems or methods your State uses to identify High Risk Vendors?

(eg) based on information from your food-instrument redemption system?

based on other vendor identification information?

based on field information?

(eg) using statistical analyses?

using systematic on-site monitoring?

using specific tips or complaints?

RECORD RESPONSE BELOW:

IB How does your food-instrument issuance and redemption system work?

(i.e.) 1. Do you issue vouchers designating a preselected vendor?
(yes/no)

2. Do you capture the vendor ID, during or following redemption processing? (yes/no)

3. If so, how do you capture the vendor ID:

- fully automated (machine-readable from voucher)?
- key-punched at time of redemption?
 - by whom?
 - how often?
 - (each time for all vendors?)
- manually recorded?
 - by whom?
 - how often?
 - (each time for all?)

4. If you do designate preselected vendors, can participants change their choice of vendors during their certification period?

— how often?
— any other limitations?

IC. Do you use shelf-price information in your High Risk information system?

1. Is this data obtained from the vendor?
obtained by WIC staff?
2. How often do you collect & update this information?
3. Do you automate this information?
4. Do you also use this information to determine overcharges?

ID. What other information about vendors do you use in your High Risk Vendor identification system?

(e.g.) location _____
 store type _____
 ownership _____
 square feet _____
 historic volume _____
 WIC history _____
 tips & complaints _____

Food Stamp Program information

food stamp application information _____

food stamp redemption information _____

other food stamp history _____

Other _____

How do you incorporate each type of information you use into your high risk vendor identification system?

RECORD RESPONSE BELOW:

IE. In any of your analyses of vendor management for High Risk identification, do you group vendors by peer group? (e.g. store type, ownership, volume, etc.)

If so what peer-group categories do you use? (open-ended)

How do you define each peer group? (open ended)

RECORD RESPONSE BELOW:

IF Of the following: what vendor management data do you capture or have available; is it automated or how is the data managed; what is the frequency in which it is produced and used; is it used to determine high-risk vendors; and how and at what specific level? (check against question 29, mail survey)

TYPE OF DATA	YES/NO	- ADP	- Frequ.	- High-Risk	- Specific Criteria
a. Listing of WIC business volume by vendor					
b. Comparisons of redeemed prices against vendor price lists					
c. Unusually small amount of variation (variance) in food instrument prices by vendor					
d. Unusually high average food instrument prices by vendor					
f. Unusually large percentage of high-priced food instruments by vendor					
g. Unusually large percentage of food instruments redeemed at the same price by vendor					
h. Unusually large increase in the dollar volume of food instruments redeemed over time by vendor					
i. WIC sales as an unusually high percentage of total sales by vendor					

TYPE OF DATA

YES/NO - ADP - Frequ. - High-Risk - Specific Criteria

- j. Unusually large percentage of manually issued food instruments by vendor
- k. Unusually large numbers of food instruments with consecutive serial numbers by vendor
- l. WIC and Food Stamp sales is an unusally high percentage of total sales by vendor
- m. Unusually large numbers of participants redeeming vouchers outside of their health service area by vendor
- n. Unusually large number of participants considered to be at high health risk redeeming vouchers with vendor
- o. Unusually large percent- age of the area's total WIC redemptions
- p. Other (please specify)

IG. Using the system that you just described, how many vendor outlets were identified as high risk during the past year? (CONFIRM RESPONSE IS FOR FY87 BY THE STATE. IF MORE THAN ONE HIGH-RISK IDENTIFICATION METHOD IS USED, REQUEST DATA FOR THE METHOD MOST COMMONLY USED.) (Confirm mail-survey answer)

NUMBER OF VENDOR OUTLETS IDENTIFIED: _____

IH. How does your State decide which high-risk vendors are actually investigated?

PROBES:

- (a) Probable level of dollar loss to the program
- (b) Severity of suspected fraud or serious program abuse
- (c) Likelihood of recovering funds from vendor (IF POST-PAYMENT STATE)
- (d) Availability of resources for investigation and corrective action
- (e) Previous WIC program disqualification due to FSP disqualification
- (f) Reason why all identified high-risk vendors are not investigated

RECORD RESPONSE BELOW:

- PROBES:

- RECORD RESPONSE BELOW:

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper has a slightly textured appearance and is set against a dark background.

2. INVESTIGATION

Next, I would like to ask more detailed questions about how high-risk vendors were investigated during the past year.

- 2A. Could you briefly describe the approach used by your State to investigate high-risk vendors identified by the methods you have described?

PROBES:

- (a) Goals of investigation(s)
- (b) Number and type of different investigative methods used

COMPLIANCE BUYS 1 (ASK QUESTIONS 2B-2R)
AUDITS OF STORE RECORDS 2 (ASK QUESTIONS 2S-2Z)
ONE OTHER METHOD: 3 (ASK QUESTIONS 2AA-2II)
(IF MORE THAN ONE OTHER METHOD IS USED OR THE STATE USES A
MIX OF METHODS, RECORD INFORMATION ABOUT THAT METHOD ON
A CLEAN COPY OF THE QUESTIONNAIRE. CLEARLY MARK THE STATE
NAME ON THAT QUESTIONNAIRE AND COMPLETE QUESTIONS 3Z TO
3HH)

- (c) If multiple methods are used, criteria for selecting most appropriate method
- (d) Established sequence of investigative methods
- (e) Do findings of one investigative method trigger a second investigative method (decision points)

RECORD RESPONSE BELOW:

[illegible]

2B. What preinvestigation steps are taken? (CIRCLE ALL NUMBERS THAT APPLY.)

- | | |
|---|---|
| CONTACT THE VENDOR OUTLET TO DISCUSS PROBLEM | 1 |
| REVIEW STATISTICAL INDICATORS FOR THE VENDOR | 3 |
| PREPARE A VENDOR FACT SHEET FOR INVESTIGATORS | 4 |
| REVIEW VENDOR PEER GROUP ASSIGNMENT | 5 |
| REVIEW VENDOR PRICE LIST | 6 |
| REVIEW A SAMPLE OF REDEEMED FOOD INSTRUMENTS | 7 |
| REVIEW INVESTIGATION RECORDS, COMPLAINTS OR PROGRAM VIOLATIONS
ABOUT SUSPECT VENDOR(S) | 8 |
| OTHER (RECORD) | 9 |

- | | |
|--|---|
| F.I. FOR CASH (CASH PAID FOR WIC FIs, TRAFFICKING) | 1 |
| SAFE BUY (USING FOOD INSTRUMENTS ALLOWING VENDOR TO
OVERCHARGE) | 2 |
| MAJOR SUBSTITUTION (NONFOOD ITEMS) | 3 |
| MINOR SUBSTITUTION (SIMILIAR NON-WIC ITEMS) | 4 |
| OTHER (RECORD) | 5 |

- RECORD RESPONSE BELOW:

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2E. How are compliance buys conducted in your State?

- (a) Detailed description of specific procedures used during a compliance buy
- (b) Basis for changing from one type of compliance buy to another for a given vendor
- (c) Is someone responsible for overseeing the conduct of each buy to ensure they are performed properly?

If so, who?

RECORD RESPONSE BELOW:

[illegible]

2F. Who conducts the compliance buys? (CIRCLE ALL CODES THAT APPLY)

NEIGHBORHOOD RESIDENTS OR PROGRAM PARTICIPANTS	1
LOCAL WIC AGENCY STAFF	2
WIC STATE AGENCY SUBDIVISION/REGIONAL STAFF	2
WIC STATE STORE INVESTIGATORS	4
WIC STATE AGENCY STAFF	5
OTHER STATE AGENCY STAFF	6
FNS FSP INVESTIGATORS	7
FNS REGIONAL STAFF	8
OIG STAFF	9
INVESTIGATORS RETAINED ON A CONTRACT BASIS (e.g., Pinkerton's, Wells Fargo)	10
OTHER (RECORD)	11

2G. What training do these persons receive in investigative methods, and is the training appropriate?

PROBES:

- (a) Who provides the training (State Agency staff, other State Agency staff, State investigative staff, State Regional or Local Staff)?
- (b) What improvements in the training are desired and what is the role of State Agency in implementing training improvements?
- (c) What outside resources would be helpful if they were available?

RECORD RESPONSE BELOW:

2H. Why do these types of individuals conduct the compliance buys compared to other types of individuals?

RECORD RESPONSE BELOW:

2I. How many high-risk vendors had compliance buys during the past year?

NUMBER OF HIGH-RISK VENDORS: _____

2J. What was the average number of compliance buys per investigated high-risk vendor? (AVERAGE MUST REFLECT RESPONSE TO 2I.)

AVERAGE NUMBER OF COMPLIANCE BUYS: _____

How many successful buys does your state feel are necessary to initiate sanctions?

What is the basis for this number?

State law or reg _____
past sanction experience _____
legal counsels advice _____

agency policy _____
agency practice _____

2K. What was the average number of positive compliance buys per investigated high-risk vendor?

AVERAGE NUMBER OF POSITIVE COMPLIANCE BUYS: _____

2L. How many vendors investigated with compliance buys were identified through systems analysis of redeemed food instruments? How many were identified by (NAME OF IDENTIFICATION METHOD REPORTED IN QUESTION 1J)? (IF NO OTHER IDENTIFICATION METHOD REPORTED, DISREGARD THE SECOND QUESTION.)

IDENTIFIED THROUGH SYSTEMS ANALYSIS: _____

IDENTIFIED THROUGH OTHER METHOD: _____

2M. For how many of those vendors identified through system analysis of redeemed food instruments did compliance buys reveal fraud or other serious forms of vendor abuse?

NUMBER OF HIGH-RISK VENDORS IN VIOLATION: _____

For these vendors found to be committing fraud or abuse, which high risk indicators were most successful?

2N. Do you use the results or compliance buys or other investigations to confirm or verify the accuracy of your high risk indicators.

If so, which indicators proved to be most accurate?

Can you rank the indicators you use in the order of their accuracy?

20. How many of each of the following offenses were identified through the compliance buys?

RECORD RESPONSE BELOW:

NUMBER

- A. PROVIDING UNAUTHORIZED FOOD ITEMS _____
- B. CHARGING FOR FOOD ITEMS NOT RECEIVED..... _____
- C. NOT RECORDING DATA ON THE FOOD INSTRUMENT AT TIME OF PURCHASE _____
- D. PROVIDING NON-FOOD ITEMS FOR FOOD INSTRUMENTS _____
- E. PROVIDING CASH OR CREDIT IN PLACE OF FOOD ITEMS _____
- F. REDEEMING EXPIRED FOOD INSTRUMENTS _____
- G. OFFERING TO BUY FOOD INSTRUMENTS AT LESS THAN THEIR VALUE _____
- H. STOCKING INSUFFICIENT QUANTITIES OF WIC-APPROVED FOODS _____
- I. CHARGING FOR FOODS PURCHASED IN EXCESS OF FOODS LISTED ON FOOD INSTRUMENTS..... _____
- J. CHARGING PRICES IN EXCESS OF THE SHELF PRICE _____
- K. OTHER OFFENSES IDENTIFIED THROUGH COMPLIANCE BUYS:
(RECORD) _____
(RECORD) _____
(RECORD) _____
(RECORD) _____

2P. Last year, what was the average cost of a compliance buy? (ENTER "NA" IF NOT AVAILABLE.)

\$ _____

2Q. How effective are compliance buys as evidence in upholding sanctions in your state?

RECORD RESPONSE BELOW:

2R. Do you plan to change the way you target compliance buys?

RECORD RESPONSE BELOW:

STORE AUDITS (GO TO QUESTION 2AA, IF AUDITS ARE NOT USED)

2S. What preaudit steps are taken? (CIRCLE ALL CODES THAT APPLY.)

CONTACT THE VENDOR OUTLET TO DISCUSS PROBLEM	1
REVIEW STATISTICAL INDICATORS FOR THE VENDOR	2
PREPARE A VENDOR FACT SHEET FOR INVESTIGATORS	3
REVIEW VENDOR PEER GROUP ASSIGNMENT	4
REVIEW VENDOR PRICE LISTS	5
REVIEW A SAMPLE OF REDEEMED FOOD INSTRUMENTS	6
REVIEW INVESTIGATION RECORDS, COMPLAINTS OR PROGRAM VIOLATIONS ABOUT SUSPECT VENDOR(S)	7
OTHER (RECORD) _____	8

2T. How are vendor audits performed in your State?

PROBES:

- (a) Degree of standardization of investigative procedure
- (b) Types of stores audited
- (c) Types of store records reviewed
- (d) Types of data or information comparisons made to identify/document fraud and other serious forms of abuse
- (e) Beginning inventory includes storage areas
- (f) Invoices reviewed

RECORD RESPONSE BELOW:

2U. Who conducts the vendor audits? (CIRCLE ALL NUMBERS THAT APPLY)

LOCAL WIC AGENCY STAFF	2
WIC STATE AGENCY SUBDIVISION/REGIONAL STAFF	3
WIC STATE STORE INVESTIGATORS	4
WIC STATE AGENCY STAFF	5
OTHER STATE AGENCY STAFF	6
FNS FSP INVESTIGATORS	7
FNS REGIONAL STAFF	8
OIG STAFF	9
INVESTIGATORS RETAINED ON A CONTRACT BASIS (e.g., Pinkerton's, Wells Fargo)	10
OTHER (RECORD)	11

2V. What training do these persons receive in investigative methods, and is the training appropriate?

PROBES:

- (a) Who provides the training (State Agency staff, other State Agency staff, State investigative unit staff)
- (b) What improvements in the training are desired and what is the role of State Agency in implementing training improvements

RECORD RESPONSE BELOW:

[illegible]

2W. How many high-risk vendors were audited during the past year?

NUMBER OF HIGH-RISK VENDORS:

2X. How many of the audited vendors were identified through systems analysis of redeemed food instruments? How many were identified by (NAME OF IDENTIFICATION METHOD REPORTED IN QUESTION 2D)? (IF NO OTHER IDENTIFICATION METHOD REPORTED, DISREGARD THE SECOND QUESTION.)

IDENTIFIED THROUGH SYSTEMS ANALYSIS OF
REDEEMED FOOD INSTRUMENTS _____

IDENTIFIED USING OTHER METHOD: _____

2Y. For how many of the audited vendors was fraud or other serious forms of vendor abuse documented?

NUMBER OF HIGH-RISK VENDORS IN VIOLATION: _____

2Z. How many of each of the following offenses were identified through the audits?

RECORD RESPONSE BELOW:

NUMBER

- | | | |
|----|--|-------|
| A. | PROVIDING UNAUTHORIZED FOOD ITEMS | _____ |
| B. | CHARGING FOR FOOD ITEMS NOT RECEIVED..... | _____ |
| C. | PROVIDING NON-FOOD ITEMS FOR FOOD INSTRUMENTS | _____ |
| D. | PROVIDING CASH OR CREDIT IN PLACE OF FOOD ITEMS | _____ |
| E. | STOCKING INSUFFICIENT QUANTITIES OF WIC-APPROVED
FOODS | _____ |
| F. | CHARGING FOR FOODS PURCHASED IN EXCESS OF FOODS
LISTED ON FOOD INSTRUMENTS..... | _____ |
| G. | CHARGING PRICES IN EXCESS OF THE SHELF PRICE | _____ |
| H. | OTHER OFFENSES IDENTIFIED THROUGH AUDITS: | |
| | (RECORD) _____ | |
| | (RECORD) _____ | |

OTHER INVESTIGATIVE METHOD

2AA What preinvestigation steps are taken? (CIRCLE ALL NUMBERS THAT APPLY.)

CONTACT THE VENDOR OUTLET TO DISCUSS THE PROBLEM	1
REVIEW STATISTICAL INDICATORS FOR THE VENDOR	2
PREPARE A VENDOR FACT SHEET FOR INVESTIGATORS	3
REVIEW VENDOR PEER GROUP ASSIGNMENT	4
REVIEW VENDOR PRICE LISTS	5
REVIEW A SAMPLE OF REDEEMED FOOD INSTRUMENTS	6
REVIEW INVESTIGATION RECORDS, COMPLAINTS OR PROGRAM VIOLATIONS ABOUT SUSPECT VENDOR(S)	7
OTHER (RECORD)	8

3BB How is (NAME OF OTHER INVESTIGATIVE METHOD DESCRIBED IN QUESTION 3A) performed in your State?

PROBES:

- (a) Degree of standardization of investigative procedure
- (b) Types of stores investigated
- (c) Types of data or information comparisons made to identify/document fraud

RECORD RESPONSE BELOW:

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There is no handwriting or other markings on the paper.

2CC Who conducts these investigations? (CIRCLE ALL NUMBERS THAT APPLY.)

NEIGHBORHOOD RESIDENTS OR PROGRAM PARTICIPANTS	1
LOCAL WIC AGENCY STAFF	2
WIC STATE AGENCY SUBDIVISION/REGIONAL STAFF	3
WIC STATE STORE INVESTIGATORS	4
WIC STATE AGENCY STAFF	5
OTHER STATE AGENCY STAFF	6
FNS FSP INVESTIGATORS	7
FNS REGIONAL STAFF	8
OIG STAFF	9
INVESTIGATORS RETAINED ON A CONTRACT BASIS (e.g., Pinkerton's, Wells Fargo)	10
OTHER (RECORD)	11

2DD What training do these persons receive in this investigative method, and is the training adequate?

PROBES:

- (a) Who provides the training (State Agency staff, other State Agency staff, State investigative staff)?
- (b) What improvements in the training are desired and what is the role of State Agency in implementing training improvements?

RECORD RESPONSE BELOW:

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2EE How many vendors were investigated using (NAME OF METHOD) during the past year?

NUMBER OF VENDORS INVESTIGATED USING (METHOD) DURING PAST YEAR:

2FF How many of the investigated vendors were identified through systems analysis of redeemed food instrument? How many were identified by (NAME OF INVESTIGATION METHOD REPORTED IN QUESTION 2A)? (IF NO OTHER IDENTIFICATION METHOD REPORTED, DISREGARD THE SECOND QUESTION.)

IDENTIFIED USING SYSTEMS ANALYSIS OF REDEEMED
FOOD INSTRUMENTS _____

IDENTIFIED USING OTHER METHOD: _____

2GG For how many of those vendors identified through systems analysis of redeemed food instrument did (METHOD) reveal fraud or other serious forms of vendor abuse?

NUMBER OF HIGH-RISK VENDORS IN VIOLATION: _____

2HH How many of each of the following offenses were identified using (NAME OF METHOD)?

RECORD RESPONSE BELOW:

NUMBER

- | | | |
|----|--|-------|
| A. | PROVIDING UNAUTHORIZED FOOD ITEMS | _____ |
| B. | CHARGING FOR FOOD ITEMS NOT RECEIVED..... | _____ |
| C. | NOT RECORDING DATA ON THE FOOD INSTRUMENT AT TIME OF PURCHASE | _____ |
| D. | PROVIDING NON-FOOD ITEMS FOR FOOD INSTRUMENTS | _____ |
| E. | PROVIDING CASH OR CREDIT IN PLACE OF FOOD ITEMS | _____ |
| F. | REDEEMING EXPIRED FOOD INSTRUMENTS | _____ |
| G. | OFFERING TO BUY FOOD INSTRUMENTS AT LESS THAN THEIR VALUE | _____ |
| H. | STOCKING INSUFFICIENT QUANTITIES OF WIC-APPROVED FOODS | _____ |
| I. | CHARGING FOR FOODS PURCHASED IN EXCESS OF FOODS LISTED ON FOOD INSTRUMENTS | _____ |
| J. | CHARGING PRICES IN EXCESS OF THE SHELF PRICE | _____ |
| K. | OTHER OFFENSES IDENTIFIED THROUGH THIS METHOD: | |
| | (RECORD) _____ | |
| | (RECORD) _____ | |

INVESTIGATIVE PROCEDURES

- 211 What are your State's standards of evidence, that is, your State's requirements or criteria for proving that fraud or other serious forms of abuse has occurred?

PROBES:

- (a) Number of positive compliance buys
- (b) Severity of offense(s) identified through investigation
- (c) Types of offenses identified through investigation
- (d) Ability to demonstrate intent on the part of the offending vendor
- (e) Type(s) of evidence required (documents, physical evidence, chain of custody)
- (f) Do the requirements/standards differ from those used for fraud in criminal proceedings?

RECORD RESPONSE BELOW:

3. CORRECTIVE ACTION

Next, I would like to ask some questions about the penalties that (NAME OF STATE) imposes on vendors who commit fraud or serious forms of abuse.

3A. What types of sanctions were imposed on fraudulent or abusive vendors during the past year?

PROBES:

- (a) Most severe sanction and type(s) of offenses
- (b) Least severe sanction and type(s) of offenses
- (c) Sanction most often imposed
- (d) Length of disqualification period

TYPE OF SANCTIONS ISSUED TO FRAUDULENT OR ABUSIVE VENDORS:

MOST SEVERE: _____

LEAST SEVERE: _____

MOST OFTEN IMPOSED: _____

LENGTH OF DISQUALIFICATION PERIOD: _____

3B. At what administrative level are appeals held and by whom?

- WIC state agency parent agency
- Other state agency or hearing board
- Local WIC agency
- Local WIC agency parent agency specify:
- Specify:

RECORD RESPONSE BELOW:

3C. If state has a multi level administrative appeal system please identify all levels.

RECORD RESPONSE BELOW:

If the vendor does not always have access to all levels of appeal, Please describe circumstances under which the vendor may take an appeal beyond the lowest level.

RECORD RESPONSE BELOW:

3D. Does the state agency routinely hold informal pre-hearing conferences?

Probes

Presence of hearing officer

Use of rules

Presence of court reporter

If so is this discretionary or mandatory

If discretionary under what circumstances are such conference held.

RECORD RESPONSE BELOW:

3E. Does your state have a law or regulation governing WIC vendor appeals?

Yes _____ No _____

If yes, please send a copy to PMA

If yes:

State Administrative Procedures Act. _____

State law pertaining to WIC only _____

State Health Department law _____

State Health Department Regulation _____

If no:

What guidance did you use to set up your appeals system?

3F. What is your state's system for determining overcharges?

1. Who determines overcharges?
2. How often?
3. How do they identify an overcharge?
4. What percentage of vendors are systematically screened for overcharges?

4. PREVENTION

Now, I would like to ask about procedures your agency uses other than high risk monitoring that are specifically intended to prevent fraud and other serious forms of abuse. (IF THERE ARE NONE, OTHER THAN HIGH RISK MONITORING OR IF THE RESPONDENT HAS ALREADY DESCRIBED THESE APPROACHES IN RESPONSE TO QUESTION 1A, PROCEED TO SECTION 5)

4A. What measures is your State now taking to prevent vendor fraud and other serious forms of abuse?

PROBES:

- (a) Type of approach or method (e.g., vendor selection, limitation, authorization, training)
- (b) Use of quantitative indicators of fraud or serious abuse
- (c) Use of Food Stamp or other program or agency participation/disqualification records
- (d) How these indicators are used
- (e) If multiple methods, which is the most effective preventive approach?

RECORD RESPONSE BELOW:

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4B. What have been the effects of this (MOST EFFECTIVE) preventive method?

NUMBER OF VENDORS NOT AUTHORIZED DURING PAST YEAR BECAUSE OF
STRONG LIKELIHOOD FOR COMMITTING FRAUD OR SERIOUS ABUSE: _____

4C. Does your state require clients's signatures on food instruments:

_____ at the time of pick-up?

_____ at the time of redemption?

4D. Does your State capture the Food Stamp identification Number at application?

RECORD RESPONSE BELOW:

4E. Do you capture total gross food sales for each vendor at application?

RECORD RESPONSE BELOW:

4F. Do you visit all vendors at authorization? At reauthorization? If no, when are they visited?

RECORD RESPONSE BELOW:

4G. Are vendor authorizations automatically renewed for most vendors at reauthorization?

RECORD RESPONSE BELOW:

5. ADMINISTRATIVE ISSUES

Finally, I would like to discuss certain administrative aspects of vendor management in your State.

5A. What key factors have either hindered or supported your State's having an effective high-risk vendor management system?

PROBES:

- (a) Legal requirements (e.g., State Administrative Procedures Act)
- (b) Involvement of State agency legal staff
- (c) Absence or presence of applicable State legal code for fraud control
- (d) State interagency agreements
- (e) Political opposition/support/leadership
 - Executive agency
 - Legislature
 - Vendor associations
 - Welfare rights organization
- (f) Fiscal constraints
- (g) Staffing levels
- (h) ADP support
- (i) Cost of vendor prosecution
- (j) Federal regulations or other initiatives such as the Vendor Management Standards contained in the Focus on Management
- (k) Attitudes of WIC administrators or other key actors in the WIC service delivery system

FACTORS PREVENTING OR HINDERING EFFECTIVE HIGH-RISK VENDOR MONITORING, INVESTIGATION, AND CORRECTIVE ACTION:

[illegible]

This image shows a single sheet of white paper with horizontal blue or grey ruling lines, typical of notebook paper. The lines are evenly spaced and run across the width of the page. There is no handwriting or other markings on the paper.

[illegible]

5C. What advice would you give other States about the prevention, detection, investigation, and sanctioning of vendor fraud and serious forms of abuse?

RECORD RESPONSE BELOW:

CLOSE INTERVIEW WITH FOLLOWING STATEMENT:

That concludes the interview. Thank you for your time and the information you have provided.

APPENDIX C
COMPLETE STUDY DATA TABLES

Table 1.1. States Reporting Selected Vendor Authorization Objectives

Objectives	Number of States	Percent of States	Average Rank
Increase participant convenience	48	98	2.6
Reduce risk of selecting fraudulent vendors	48	98	1.9
Establish vendor price levels	46	94	2.3
Limit the number of WIC vendors	43	88	2.8
Limit the type of WIC vendors	39	80	2.8
Establish vendor minimum stock levels	34	69	2.3
Business within state boundary (7)	1	2	N/A
Equal access to qualified vendors (10)	1	2	N/A
Food Stamp authorization (11)	1	2	N/A
Maintain sanitary conditions (8)	1	2	N/A

Note: In the average rank column, 1 = very important, 2 = next most important and 3 = important.

(Q.1)

Table 1.2. WIC State Agency Use of Authorization Standards

Standards	Number of States	Percent of States
Stock	49	100
Past Food Stamp performance	45	92
Past WIC performance	44	90
Prices	37	76
Geography/accessibility	34	69
Past legal/criminal performance	19	39
Sanitation (9)	7	14
Store hours (10)	5	10
Accurate application provided (16)	3	6
Current permits and licenses (11)	3	6
Pharmacies' ability to provide formula w/in 48 hours (17)	2	4
Agreement to terms of contract (15)	1	2
Complete formal training	1	2
No conflict of interest between WIC agencies and vendors (18)	1	2
Proof of ownership (14)	1	2
Serve participants equally (12)	1	2
Vendors must attend a preauthorization training session (19)	1	2
(Q.2)		

Table 1.3. Number and Percent of States Reporting Limits
on the Number of Authorized Vendors

Presence of Limits on Authorized Vendors	Number of States	Percent of States
Yes	20	41
No	29	59
(Q.3)		

Table 1.4 State Use of Various Vendor Limiting Criteria

Criteria	Number of States	Percent of States	Average Rank
Store location	20	41	1.7
Adequacy of WIC food inventory	19	39	1.8
Competitive prices	19	39	1.9
Food Stamp Program (FSP) information	17	35	1.9
Sanitary conditions of store	16	33	3.0
Store hours	16	33	2.9
Store type	14	29	2.3
Store size	13	27	2.6
Compliance with WIC and FSP regulations (12)	1	2	N/A
Failure to meet qualification criteria (15)	1	2	N/A
Failure to submit complete application and price list by deadline (13)	1	2	N/A
False or inaccurate application (14)	1	2	N/A
First to apply accepted up to maximum (11)	1	2	N/A
Participant shopping preference (16)	1	2	N/A

(Q.4)

Table 1.5. Number and Percent of States Reporting the Use of Some Form of Standard Vendor Application

Use of Application	Number of States	Percent of States
Use of standard application package throughout the State	47	96
Use of standard application package by each Local agency jurisdiction	2	4

(Q.5)

Table 1.6. Number and Percent of States Reporting Use of Various Vendor Application Processing Practices

Vendor Application Processing Practice	Number of States	Percent of States
Visit applying vendors	48	98
Distribute applications to vendors who request them	42	86
Verify information provided in/with application	41	84
Check information with Food Stamp Program	27	55
Distribute applications to vendors designated by State or Local WIC agency	11	22
Distribute applications to all vendors	6	12
Only review applications	6	12
Follow local agency vendor selection plan (13)	1	2
Point rating system (12)	1	2
Prices within 110% of peers (11)	1	2
Conduct a separate check with environmental section (10)	1	2
Training follows receipt of application (9)	1	2
Verify licenses and ownership (14)	1	2

(Q.6)

Table 1.7 Information Checked for First-Time Applicants

Application Information	During Vendor Visit		Office Review		Visits and Office	
	Number of States	Percent of States	Number of States	Percent of States	Number of States	Percent of States
Sanitary condition of store	36	74	1	2	6	12
Adequacy of WIC food inventory	30	61	1	2	18	37
Store location	30	61	2	4	11	22
Price levels	21	43	2	4	23	47
Store type	20	41	12	25	9	18
Store size	19	39	8	16	8	16
Store hours	15	31	14	29	8	16
Ownership information	6	12	28	57	5	10
Food Stamp Program authorization (FSP)	4	8	27	55	8	16
Gross annual sales level	3	6	19	39	0	0
Attitude toward WIC (12)	0	0	1	2	0	0
Bank or deposit account number (18)	0	0	0	0	1	2
Number of check-out aisles (17)	0	0	1	2	0	0
Number of stores in corporation (13)	0	0	0	0	1	2
Past FSP performance (16)	0	0	0	0	1	2
Past WIC performance (15)	0	0	0	0	1	2
Pharmacy license (14)	0	0	0	0	1	2

Table 1.8. Number and Percent of States Reporting Use of Visits to First-Time Applicants

Use of Visits to First-Time Vendor Applicants	Number of States	Percent of States
After submission of the completed application form	38	78
Before submission of the completed application form	8	16
It varies with the type of vendor:	3	6

(Q.8)

Table 1.9. States That Require Eligibility-Related Information From Vendors During The Authorization Period

Require Information	Number of States	Percent of States
Yes, all vendors must submit this information	30	61
Yes, only vendors selected for representative monitoring submit this information	4	8
No	15	31

(Q.9)

Table 1.10. Types Of Eligibility-Related Information Required From Vendors
During The Authorization Period

Types of Information	Number of States	Percent of States	Frequency of Use
Some form of price information			
Price information (1)	15	31	Quarterly
Price information (1)	4	8	Every 6 mo.
Price information (1)	4	8	Every 2 yrs.
Price information (1)	3	6	Monthly
Price information (1)	2	4	Annually
Vendor bank account change (8)	1	2	Upon request
Business hours (5)	1	2	Every 2 yrs.
Continuance on program (3)	1	2	Every 2 yrs.
Inventory records (6)	1	2	Upon request
Participant service (4)	1	2	Every 2 yrs.
Special requests for ownership and price information (7)	1	2	Upon request
Vendor sales information (9)	1	2	Annually
WIC program understanding (2)	1	2	Every 2 yrs.

Note: Some States' reported more than one type of information required.
(Q.10)

Table 1.11. States That Have Codified Their Vendor Selection Procedure

Vendor Selection Procedure Codified	Number of States	Percent of States
No	36	74
Yes	12*	25
No response	1	2

* Of the 12 States reporting codification of their vendor selection procedures, only eight States actually submitted specific code as part of their survey response.

(Q.11)

Table 1.12. Timing Of Application Acceptance From Vendors

Time	Number of States	Percent of States
At any time	40	82
During certain months (2,3,4,5,6,7,8)*	9	18

* The periods included: Jan 1 - July 1; during August and September, January, initial authorization at any time, reauthorizations in April and May; July; June 1 - August 31 of the contract year; January - March of even numbered years.

(Q.12)

Table 1.13. Duration of Vendor Authorization

Duration	Number of States	Percent of States
One year	26	53
Two years	12	25
From 6 months to 4 years	4	8
Until the end of current effective year	3	6
All contracts expire on 12/31 (7)	1	2
Less than 1 year if on conditional approval (6)	1	2
Two years for renewals or maximum of two years to Feb 1 of even years (9)	1	2
Until end of fiscal year (8)	1	2
(Q.13)		

Table 1.14. Types of Vendor Applicants and Vendor Authorizations --Totals and State Ranges

Application Category	Range of Applying Vendors	Total Number of Applying Vendors	Range of Authorized Vendors	Total Number of Authorized Vendors
First-time applicants	0 - 862	6,071	0 - 747	4,896
Reauthorizations	0 - 2531	22,060	0 - 1876	21,544
Reapplicants following disqualification from WIC	0 - 291	241	0 - 164	182
Total number of applicants and reapplicants		28,372		26,662

Note: Forty of 49 States reported data for first-time applicants and reapplicants. Six states did not maintain data about applications in a form that could be reported; 3 states are missing.
(Q.14)

Table 1.15. Level at Which Authorization Denial Appeals are Heard

Level	Number of States	Percent of States
State appeals officer	36	74
Administrative law judge	3	6
Local appeals officer	3	6
Contracted WIC appeals officer	2	4
Arbitrator (4)	1	2
Bank chief (9)	1	2
Division director (5)	1	2
State Hearing officer (6)	1	2
State if formal, local if informal (8)	1	2

(Q.15)

Table 1.16. Number And Percent Of States Reporting Criteria Used
At Reauthorization

Criteria	Number of States	Percent of States
Same criteria as those used for initial authorization	29	59
Food Stamp Program authorization	23	47
Adequacy of WIC food inventory	22	45
Competitive prices	21	43
Sanitary conditions of store	18	37
Reauthorization is automatic for compliance history with WIC	17	35
Volume of WIC sales	16	33
Store hours	14	29
Store location	14	29
Store type	11	22
Compliance history with WIC (11)	9	18
Store size	8	16
Annual vendor training participation is mandatory (12)	4	8
Maintenance of professional relation- ship with WIC staff (15)	1	2
Overcharges on FIs not to exceed 190% of total WIC sales (14)	1	2
Repayment of assessed overcharges (16)	1	2
Site visit (13)	1	2

(Q.16)

Table 1.17. Number And Percent Of States Using Various Criteria
For Reauthorizing Previously Disqualified Vendors

Reauthorization Criteria	Number of States	Percent of States
No special criteria are used	43	90
Special criteria are used		
Actions stores take to correct problems leading to disqualification (13)	1	2
History of WIC compliance (11)	1	2
Require on-site visits (15)	1	2
Store location and hours (14)	1	2
After disqualification period is over (12)	1	2
No response	1	2
(Q.17 and 17a)		

Table 1.18. Use of Food Stamp Program Information For Vendor Selection Or Authorization

Food Stamp Program (FSP) Information Used	Number of States	Percent of States
FSP sanction information	35	71
FSP authorized vendor status	27	55
Acceptable FSP compliance history	22	45
FSP Sales volume (4)	4	8
Total number of States reporting use of FSP information	42	86
Total number of States reporting no use of FSP information	7	14
(Q.18 and 18a)		

Table 2.1. State Minimum Training Requirements for Vendors

Minimum Training Requirements	Number of States	Percent of States
Training should address:		
Correct way to complete FI (26)	6	12
FI problems (28)	5	10
Allowable foods (27)	4	8
Background information on WIC (32)	3	6
WIC agreement (30)	2	4
Vendors must be trained:		
At initial authorization (3)	22	45
As deemed necessary (15)	7	14
On-site (5)	4	8
After receiving predetermined number of sanction points (4)	2	4
At change of ownership (9)	1	2
Annually (1)	15	31
At reauthorization (11)	2	4
Biannually (25)	1	2
Every two years (10)	1	2
Every three years (23)	1	2
No minimum training requirements	9	18
(Q.19 and 19a)		

Table 2.2. Sources Used in Determining Vendor Training Needs

Sources	Number of States	Percent of States
Requests from vendors	45	92
Results of representative monitoring	43	88
Results of high-risk monitoring	39	80
Federal WIC regulations	36	74
Review of redemption data	36	74
Review of monitoring and sanction data	31	63
Following educational visit to vendor	29	59
State regulations	25	51
Complaints from participants	3	6
Following authorization and reauthorization	3	6
Requests from local agencies	3	6
Program changes	2	4
Following changes in store management	1	2

(Q.20)

Table 2.3. Types of Vendor Training

Vendor Training Mode	Number of States	Percent of States
Group of vendors	35	71
One vendor outlet at a time	37	75

(Q.21)

Table 2.4. Topics Emphasized by States When Training Vendors

Topics	Number of States	Percent of States
Food instrument redemption procedures	47	96
WIC transactions	47	96
WIC inventory requirements	41	84
Penalties and sanctions for noncompliance	40	82
Procedures for appeals	19	39
Maintenance of WIC records	16	33
Authorized food requirements	5	10
Nutritional aspects of authorized foods	2	4
Vendor authorization	2	4
Background on the WIC program (16)	1	2
Changes in the vendor agreement (10)	1	2
Contact with local agency vendor liaisons (9)	1	2
Participant eligibility requirements (13)	1	2
Participant rights (14)	1	2
Topics requested by vendors (11)	1	2
Vendor training requirements (18)	1	2

(Q.22)

Table 2.5. Methods Used by States When Training Vendors

Methods	Number of States	Percent of States
Written materials	48	98
In-store meetings/conferences	47	96
Out-of-store meetings/ conferences	31	63
Audiovisual materials	28	57
Specialized technical assistance	25	51
Vendor hotline	19	39
Compliance buys	11	22
Vendor newsletter (11)	4	8
Educational buys (8)	2	4
Safe buys (9)	1	2
Trade show exhibits (12)	1	2
Vendor phone calls (10)	1	2
(Q.23)		

Table 2.6. Methods Used by States to Determine Training Effectiveness

Methods	Number of States	Percent of States
Informal feedback from vendors	42	86
Record review	21	43
Compliance buys	20	41
Statistical indicators --		
Redemption error rates (1)	9	18
Average prices on food instrument claims (3)	3	6
Number of rejected food instruments (5)	3	6
Number of overcharges (4)	2	4
Variance (6)	2	4
Number of food instruments flagged (2)	1	2
Written tests of knowledge, policies, and practices	13	27
Feedback from participants	6	12
Monitoring visits (11)	6	12
Complaints (7)	4	8
Educational buys (12)	4	8
Evaluation forms completed by vendor (6)	4	8
F.I. error rates (14)	2	4
Oral test (9)	2	4
Completion of annual vendor management checklist and systems report (13)	1	2
Number of check replacements (10)	1	2

(Q.24)

Table 2.7. Number and Percent of States Reporting When Formal Training is Conducted and by What Source

When Vendor Training Occurs	State Staff			Regional/ District Staff			Local Agency			Local Clinic		
	Number of States	Percent of States	Number of States	Number of States	Percent of States	Number of States	Number of States	Percent of States	Number of States	Number of States	Percent of States	Number of States
Upon request by the vendor	32	65	1	2	2	29	59	4	8			
As follow-up to incident of fraud or abuse	31	63	1	2	37	18	37	1	2			
At the discretion of the State or WIC agency	30	61	1	2	22	45	2	4				
As follow-up to participant or vendor complaints	27	55	1	2	27	55	1	2				
As follow-up to data and representative monitoring activities	25	51	0	0	27	55	3	6				
Prior to, or at time of authorization	20	41	1	2	30	61	5	10				
Annually	10	20	1	2	14	29	1	2				
Bi-annually	6	12	0	0	3	6	0	0				
Quarterly	3	6	0	0	4	8	1	2				
Semi-annually	1	2	0	0	1	2	1	2				

(Q.25)

Table 2.8. Topics Covered in Training Staff

Areas Covered In Training	Number of States	Percent of States
Selection of vendors	28	57
Training of vendors	39	80
Representative monitoring	40	82
High Risk monitoring	22	45
Compliance buys	19	39
Stock audits	12	25
Corrective actions and sanctions	31	64
Criminal investigations	3	6
Interpretation of Federal and/or State WIC regulations	34	69
Prevention of vendor fraud and serious forms of abuse	23	47
Maintaining records on vendors (15)	2	4
Trafficking (11)	1	2
Obtaining information from participants (12)	1	2
ADP report review (13)	1	2
Resolving typical vendor problems (14)	1	2
Voucher redemption procedures (16)	1	2
State does not provide formal training to State or Local staff	9	18

(Q.26)

Table 3.1. Basis for Selecting Vendors for Representative Monitoring

Basis	Number of States	Percent of States
Complaints by other vendors or participants	33	67
Random sample	24	49
Review of vendor redemption statistics	23	47
Rotation basis	21	43
WIC redemption volume	20	41
All vendors receive representative monitoring	18	37
Food Stamp Program sanctions (12)	1	2
Geographic location (9)	1	2
Past WIC program abuse (11)	1	2
Staffing resources (10)	1	2
Record review:		
Redeemed food instruments (9)	2	4
Correspondence (10)	1	2
State vendor files (8)	1	2

(Q.33)

Table 3.2. Types of Records Reviewed in Preparation for a Representative Monitoring Visit

Types of Records	Number of States	Percent of States
Previous monitoring and action documents	45	92
Investigation records, complaints, or WIC program violations	40	82
Vendor characteristics	28	57
Vendor price lists	23	47
A manual sample of redeemed food instruments	12	25
Statistical indicators --		
Redemption patterns (3)	11	22
Percent overcharges (9)	2	4
Check errors (4)	1	2
Comprehensive vendor monitoring report data (8)	1	2
High mean relative price (6)	1	2
Number of vouchers cashed above maximum (10)	1	2
Number of vouchers cashed above redemption (11)	1	2
Participants using the store (5)	1	2
Rejection ratios (12)	1	2
Timely submission of price cards (7)	1	2
Check return and excessive check billing (5)	2	4
Local agency files (6)	1	2
Check log or discrepancies for coupon redemption (7)	1	2
Prepayment audit problems that are not risk factors (4)	1	2

(Q.34)

Table 3.3. Types of Activities Conducted During Representative Monitoring Visits

Activities	Number of States	Percent of States
Interviews with owner/manager/cashier	48	98
Review of food instruments for accuracy	46	94
WIC food inventory check	46	94
Observations of store operations	45	92
Specialized technical assistance with a particular problem	43	88
Vendor training	42	86
FI/food price comparison	27	55
WIC records review	23	47
Compliance buys	7	14
Education buys	3	6
Check for handbooks, sanitation, hours, discrimination	2	4
Compare vendor's price list to actual shelf price	2	4
Compliance with environmental requirements (14)	1	2
Obtain current prices for foods (16)	1	2
Other	2	4

(Q.36)

Table 3.4. Number of Vendors Subjected to Representative Monitoring Visits and Duration of Representative Monitoring Visits During FY 1987

Vendors Visited and Duration of Visits	Average Number	Number of Vendors
Number of vendors visited during FY 1987	426	
Median number of vendors visited during FY 1987	289	
Highest number of vendors visited during FY 1987 in a single State	2,196	
Lowest number of vendors visited during FY 1987 in a single State	18	
Total number of vendors visited nationally during FY 1987		20,012
Overall duration in minutes	48.4	
Median duration in minutes	45	
Longest duration in minutes	90	
Shortest duration in minutes	12	

Note: Forty-six of 49 States reported data used in this table.
(Q.35 and 37)

Table 3.5. Methods Used to Inform Vendors of the Results of Representative Monitoring Visits

Methods	Number of States	Percent of States
During the monitoring visit	47	96
Vendors are mailed a written copy of the results	30	61
During vendor training sessions	6	12
During reauthorization	2	4

(Q.39)

Table 4.1. Types of Food Instruments Used by States

Type of Food Instrument	Number of States	Percent of States
Manual and computer-generated batch	28	57
Computer-generated batch only	7	14
Manual only	7	14
Manual and computer-generated on-line	4	8
Manual and computer-generated batch and on-line	2	4
Computer-generated on-line only	1	2

Table 4.2. Number and Percent of States Reporting Use of Multiple Food Instruments

Type of Food Instruments	Number of States	Percent of States
For each WIC participant category (Women, Infants, and Children)	22	45
Both for food types and participant categories	13	27
Tailoring to individual (6)	4	8
Combinations of food types (13)	1	2
For each food type	1	2
Use a family FI (8)	1	2
Other	7	14

(Q.28)

Table 4.3. States Reporting Types of Food Instrument Redemption Data Reports Used and Frequency of Use

Reports	Used By States		Number of States Producing Reports			
	Number of States	Percent of States	Weekly	Monthly	Bimonthly	Quarterly
Listing of WIC business volume by vendors	44	90	1	29	0	12
Alpha or numeric listing of authorized vendors	43	88	5	25	1	11
Unusually high average food instrument prices by vendor	36	74	2	18	0	12
Bank or State agency reports of rejected food instruments	28	57	10	25	0	2
Consistently redeeming food instruments at a fixed amount or percent below a fixed amount	28	57	0	11	0	5
Unusually large percentage of food instruments redeemed at the same price by vendor	27	55	1	14	0	7
Unusually large percentage of high priced food instruments by vendor	27	55	1	17	0	13
Comparisons of redeemed prices and vendor price list by vendor	25	51	0	10	0	10
Unusually large percentage of the areas total WIC redemptions	19	39	1	8	0	3

Note: Some States were unable to report frequency of producing reports.
(Q.29)

Table 4.3. States Reporting Types of Food Instrument Redemption Data Reports Used and Frequency of use (continued)

Reports	Used By States		Number of States Producing Reports				
	Number of States	Percent of States	Weekly	Monthly	Bimonthly	Quarterly	Annually
Unusually small amount of variation in food instrument prices by vendor	18	37	0	10	0	7	1
Unusually large number of participants considered to be at high health risk redeeming vouchers with vendor	17	35	0	0	0	1	0
Unusually large increase in the dollar volume of food instruments redeemed over time by vendor	14	29	0	14	0	12	2
WIC sales as an unusually high percentage of total sales by vendor	11	22	0	2	0	3	3
Unusually large numbers of participants redeeming vouchers outside of their health service area by vendor	8	16	0	7	0	1	0
Unusually large percentage of manually issued food instruments by vendor	7	14	1	3	0	2	0
Unusually large numbers of food instruments with consecutive serial numbers by vendor	4	8	0	3	0	1	0
Average price for food items within a geographical area (27)	1	2	0	0	0	1	0
Checks cashed with invalid dates (9)	1	2	0	0	0	1	0

Note: Some States were unable to report frequency of producing reports.

Table 4.3. States Reporting Types of Food Instrument Redemption Data Reports Used and Frequency of use (continued)

Reports	Used By States		Number of States Producing Reports				
	Number of States	Percent of States	Weekly	Monthly	Bimonthly	Quarterly	Annually
Checks cashed with invalid dates (9)	1	2	0	0	0	1	0
Errors on redeemed FI (25)	1	2	0	1	0	0	0
FI issuance (21)	1	2	0	0	0	1	0
Fraud possibility compared to recipient address and state location (8)	1	2	0	0	0	1	0
Instruments redeemed at or above "not to exceed limit" monthly (17)	1	2	0	1	0	0	0
Review of redeemed WIC check daily for compliance (24)	1	2	0	1	0	0	0
Unreconciled payment (20)	1	2	0	1	0	0	0
Unusually high number of FI cashed for even dollar amounts (23)	1	2	0	0	0	1	0
Unusually large increase in number of FI redeemed (22)	1	2	0	0	0	1	0
Vendors not submitting price reports (26)	1	2	0	0	0	1	0

Note: Some States were unable to report frequency of producing reports. (Q.29)

Table 4.4. Organizational Units Reviewing Food Instrument
Redemption Data Reports

Organizational Units	Number of States	Percent of States
State agency (1)	49	100
Vendor unit (2)	24	49
Local agency (3)	10	20
Accounting (4)	4	8
Local and State (6)	2	4
Investigative services unit (8)	1	2
Region (5)	1	2
State and region (7)	1	2

Note: Purpose and frequency of review is treated in narrative.
(Q.30)

Table 4.5 Summary of States Practices in Processing Food Instrument Redemptions

Checks or Edits	States Performing Test Number of States	Percent of States	Test Performed By		
			State Agency	Contractor/ Banks	State/ Bank Agency
Purchase amount exceeds value of food instrument	49	100	21	23	3 1
Food instrument is not properly signed	45	92	18	21	4 1
Reimbursement date beyond expiration date	44	90	19	20	4 0
Purchase date before valid date	41	84	16	16	5 1
Vendor not authorized at time of purchase	40	82	19	15	4 1
Comparison of claim value against current food price data	32	65	25	6	1 0
Missing or illegible purchase date	31	63	13	12	4 1
Missing or illegible serial or claim number	29	59	12	13	3 1
Analyses to detect changes in redemption rates (e.g., month to month or quarter to quarter)	22	45	18	3	0 0
Comparison of average claim value of individual outlets to average claims for similar outlets	16	33	13	3	0 1
Comparison of redemption rates and values for different types of vendors	13	27	11	1	1 0
Alterations	2	4	1	0	0 0
Missing or illegible vendor stamp	2	4	1	0	0 0
Stop payments (15)	1	2	0	2	0 0
Submitted for payment by vendor identified on check (17)	1	2	1	0	0 0
Variance analysis (20)	1	2	1	0	0 0

Note: In cases where the numbers do not equal 49, States did not always report who performed the test.
(Q.31)

Table 4.5 Summary of State Practices in Processing Food Instrument Redemptions (continued)

Checks or Edits	When Test Performed Pre- payment	Post payment	Both	Purpose of Test		
				Detect FI	Identify Vendors	Test Both
Purchase amount exceeds value of food instrument	29	14	6	13	6	29
Food instrument is not properly signed	29	10	6	16	1	26
Reimbursement date beyond expiration date	27	10	6	16	2	25
Purchase date before expiration date	23	12	5	12	2	24
Vendor not authorized at time of purchase	25	11	4	4	11	23
Comparison of claim value against current food prices	8	22	2	3	7	21
Missing or illegible purchase date	21	6	4	11	0	19
Missing or illegible serial or claim number	19	4	6	16	2	11
Analyses to detect changes in redemption rates (e.g., month to month or quarter to quarter)	1	19	1	1	13	8
Comparison of average claim value of individual outlets to average claims for similar outlets	1	12	3	0	7	9
Comparison of redemption rates and values for different types of vendors	0	12	1	0	9	4
Alterations	1	0	0	1	0	0
Missing or illegible vendor stamp	1	0	0	0	0	3
Stop payments (15)	1	0	0	1	0	0
Submitted for payment by vendor identified on check (17)	1	0	0	1	0	1
Variance analysis (20)	0	2	0	0	2	0

Note: In cases where the numbers do not equal 49, States did not always report who performed the test.
(Q.31)

Table 4.6. Methods Used to Recover Overpayments From Vendors

Methods	Number of States	Percent of States
Collect overpayments retrospectively (after claim is paid)	24	49
A combination of collections and withholding of payments as prescribed in administrative hearing	6	12
Request bank to cash voucher and debit vendors account (5)	4	8
Withhold amounts corresponding to prior overpayments from current or subsequent claims	3	6
State bank collects from vendor's bank (4)	2	4
Sanction for overcharging (6)	1	2
Not applicable, prepayment edits preclude overpayment recovery	12	25

Note: One state reported using more than one recovery method.
(Q.32)

Table 4.7. Number of WIC-Authorized Outlets for Each Type of Store and Volume of WIC Redemptions

Type of Store and Annual Dollar of WIC Redemption	Number of States	Percent of States	Average Number of Outlets	Average State Dollar Volume for Outlet Types	Total Approximate Dollar Volume	Total Number of Outlets
Chain food stores (major or regional)	31	63	279	\$10.46M	\$199M	8658
Large independent food stores (single units or small chains: 1-5 stores)	29	59	199	576M	103.8M	5791
Small independent food stores (single-level management): neighborhood, convenience, mom and pop, deli, etc.	31	63	293	4.6M	84.28M	9090
Chain pharmacies	25	51	53	0.13M	1.49M	1316
Independent pharmacies	25	51	34	0.49M	7.31M	860
Average number of outlets nationally			172			
Total number of authorized vendor outlets						25715

Note: The total number of State's reporting the number of WIC-authorized outlets for each store type is low because many States could not report the data in this format.
(Q.58)

Table 6.1. Number and Types of Complaints About Vendors
Received by WIC State Agencies

Complaints	Number of States	Percent of States
Rude or abusive cashiers (2)	13	27
Allowing participants to purchase ineligible foods (8)	12	25
Insufficient stock of WIC foods (1)	11	22
Denying purchase of authorized foods (14)	4	8
Selling formula with inadequate iron (6)	4	8
Charging high prices (9)	2	4
Requesting participant to reimburse rejected claim (4)	2	4
Requiring participant to countersign the FI before price is recorded on FI (15)	2	4
Allowing return of WIC foods (12)	1	2
Failure to have participant sign FI (21)	1	2
Lack of store training (23)	1	2
Purchase checks for cash (24)	1	2
Purchasing nonfood items with FI (7)	1	2
Requiring participant to buy store brands (18)	1	2
Requiring participant to purchase all items on the FI (5)	1	2
Vendor overcharges (16)	1	2
Vendor refusal to accept old valid FIs (17)	1	2
Other	3	6

Note: Forty-two States report complaints. The monthly average for the 42 States is 10.2 (Q.59 and 59a)

Table 7.1. Methods Used to Inform Vendors About Penalties for WIC Program Offenses

Methods	Number of States	Percent of States
Penalties for offenses are explained during vendor training sessions	35	71
State WIC sanction policy is included in the WIC vendor agreement	34	69
Vendor manual, with a description of penalties, is provided at authorization	32	65
Penalties for offenses are described at reauthorization	15	31
Point system for sanctions is enclosed with the WIC vendor agreement	13	27
Penalties for offenses are included with the warning letter	3	6
Penalties for offenses are provided with the application packet	2	4
Penalties for offenses are included in letters announcing the award of sanction points	1	2

(Q.40)

Table 7.2. Corrective Actions Used in WIC State Sanction Systems

Actions	Number of States	Percent of States
Disqualification	48	98
Warning letters	47	96
Probation periods	25	51
Civil money penalties	13	27
Other types of fines	6	12
Sanction points (11)	3	6
Vendor training (8)	3	6
Denial of authorization (12)	2	4
Repayment of overcharges (7)	2	4
(Q.41)		

Table 7.3 Types of Violations That Lead to Disqualification

Violations	Number of States	Percent of States	Number of occurrences needed to disqualify	Length of disqualification period (months)
Exchanging cash or credit for WIC food instruments	43	88	1 - 3	2 - 36
Disqualification from Food Stamp Program	42	86	1	3 - 36
Charging for food items not received by WIC participant	41	84	1 - 8	3 - 36
Exchanging nonfood items for a WIC food instrument	40	82	1 - 5	3 - 36
Charging WIC customers more for food than current shelf price	40	82	1 - 8	3 - 36
Providing non-WIC approved foods	39	80	2 - 10	6 - 36
Stocking insufficient quantities of WIC-approved foods	34	69	1 - 10	2 - 36
Redeeming WIC food instruments outside of authorized channels	30	61	1 - 3	6 - 36
Failure to comply with monitoring requirements	29	59	1 - 10	1 - 36
Failure to provide inventory records when requested	25	51	1 - 8	3 - 36
Claiming reimbursement for the sale of an amount of a specific food item that exceeds the store's documented purchase of that food item for a specific period of time	22	45	1 - 8	3 - 36
Failure to turn in required data (e.g., price cards)	22	45	1 - 10	1 - 36
Accepting WIC food instruments from unauthorized persons	20	41	1	3 - 36
Shelf prices are too high	15	31	1 - 9	3 - 36
Other violations (15, 16, 17, 18, 19)	7	14	1 - 13	3 - 36

Note: The number of States reporting the number of occurrences varies slightly from the number of States reporting the disqualification period for each violation.
(Q.42)

Table 7.4. Use of a Penalty Point System to Sanction Vendors

Use	Number of States	Percent of States
Yes	21	43
No	28	57
(Q.43)		

Table 7.5. Outcomes of Monitoring and Analysis

Vendor Category	Total Number of Vendors	Number of States	Range of Vendors
Number of vendors considered at high risk to commit fraud or serious forms of abuse initially identified through representative monitoring	550	22	0 - 130
Number of sanctioned vendors originally identified by systematic analysis of redeemed food instruments	336	22	0 - 117
Compliance buys	257	17	0 - 117
Store audits	60	5	0 - 30
Any other methods or combination of methods	19	5	0 - 12
Number of sanctioned vendors who were originally identified by methods other than analysis	230	22	
Complaints	78	9	0 - 50
Representative monitoring	61	11	0 - 24
Other methods	91	12	0 - 12
Number of vendors disqualified for fraud or serious forms of abuse during FY 1987	566	32	0 - 180
Number of vendors identified by State's high- risk monitoring system that appealed their sanctions	136	20	0 - 28
Number of vendors successful in reducing the sanction	6	4	0 - 3
Number of vendors successful in overturning the sanction	2	1	

(Q.38, 44, 44a, 44b, 44c, 45, 46, 47, 48)

Table 7.6. Reasons Why Sanctioned Vendors Were Able to Reduce or Overturn Sanction

Reasons	Number of States	Percent of States
Reasons for Reduction		
Consideration was given to probable hardship on participants (5)	2	4
A negotiated settlement was reached (4)	1	2
Consideration was given to the vendor's health (2)	1	2
Insufficient evidence (6)	1	2
Unwillingness of the State Department of Health to support WIC State Agency corrective actions (1)	1	2
Other	1	2
Reasons for Overturning		
Consideration was given to probable hardship on participants (1)	1	2
(Q.47 and 48a)		

Table 7.7 Vendors Fined For Fraud and Serious Abuse During FY 1987

Vendor Category	Number of States	Percent of States	Total Number of Vendors Fined	Range of Vendors
Vendors fined	7	14	64	0 - 32
Vendors fined who were detected by high risk monitoring	3	6	9	0 - 7
Vendors fined for fraud or serious forms of abuse	6	12	62	0 - 32
(Q.49)				

Table 7.8. Summary Characteristics of WIC State Agency
Fair Hearings

Characteristics	Number of States	Percent of States
Location of fair hearings		
State agency	19	39
Geographical area of complainant	6	12
Department of health	5	10
Local agency	3	6
Other	7	14
State legal counsel present during the hearing		
Yes	32	65
No	8	16
No response	9	18
(Q.51a - 51c)		

Table 7.9. Types of Improvements in Legal Representation Sought by State WIC Agencies

Improvements Needed	Number of States	Percent of States
Consistency in the quality of attorneys assigned	3	6
Legal representation should be made available	3	6
Guidance on rules of evidence should be provided	2	4
Actions should be taken more informally	1	2
Attorneys should be better informed about their role	1	2
More consultation needed prior to taking corrective actions	1	2
Should be willing to take criminal action, as well as administrative action	1	2
State is satisfied with legal representation		
Yes	31	63
No	10	20
No response	8	16

(Q.51d and 51e)

Table 8.1. ADP Used to Support Selection/Limitation

ADP Use	Number of States	Percent of States
Tracks dollar volume of WIC business	25	51
Maintains price data/levels by which stores are compared	20	41
Reconciles redeemed food instruments with issuance logs	20	41
Indicates vendor applicants who do not meet authorization criteria	9	18
Processes vendor application data	9	18
Tracks vendor Food Stamp compliance history	6	12
Produces authorization letters, mailing labels, and lists (5)	1	4
ADP is not used in selection related activities	20	41
(Q.52a)		

Table 8.2. ADP Used To Support Representative Monitoring

ADP Use	Number of States	Percent of States
Updates established price levels used for vendor comparisons	16	33
Maintains results of representative monitoring in aggregate or individual vendor format	13	27
Identifies vendor price changes	8	16
Maintains vendor monitoring schedules	8	16
Identifies sample of vendors to be representatively monitored	7	14
Identifies dollar volume, numbers of checks by month (15)	1	2
Tracks training data to assist follow-up (14)	1	2
ADP is not used in representative monitoring activities	20	41
(Q.52b)		

Table 8.3 ADP Used to Support High-Risk Monitoring

ADP Use	Number of States	Percent of States
Compares average claim value of individual outlets to average claims of peers	31	76
Conducts food instrument check for missing or illogical data	24	49
Generates vendor profiles or data summaries	19	39
Tracks redemption patterns by store type	18	37
Maintains investigation and sanction results	16	33
Tracks individual participant redemptions by vendor	16	33
Compares redemption rates and values for different types of vendors	14	29
Tracks redemption patterns by geographic area	13	27
Compares redeemed prices with actual store shelf prices	11	22
Conducts analysis to detect periodic changes in redemption rates	11	22
Maintains information provided by the Food Stamp Program (FSP) --		
FSP disqualifications	7	14
Store demographics	2	4
Sanction Information Network	1	2
Redemption patterns	1	2
Unacceptable history	1	2
ADP is not used in high risk monitoring activities	8	16
At present, high risk monitoring is not conducted	1	2
(Q.52c)		

Table 8.4. Methods Used by State WIC Agencies to Flag Possible or Actual Overcharges by Vendors

Methods	Number of States	Percent of States
120% of the estimate lost (2)	4	8
10% of the stores estimated redemption (8)	3	6
Comparison of vendor prices to checks redeemed (13)	2	4
Exceeds mean by SD of 2 for check type (11)	2	4
90% of maximum	2	4
120% of average price by vendor price list (15)	2	4
10% estimated redemption up to 50% (18)	1	2
20% of the stores estimated redemption 3 times yearly (7)	1	2
25% of the stores estimated redemption (5)	1	2
62% of the stores estimated redemption (12)	1	2
110% of estimated redemption (22)	1	2
115% on monthly lists (27)	1	2
120% of the actual value on the check (26)	1	2
125% of stores estimated redemption adjusted yearly (16)	1	2
125% of stores estimated redemption adjusted monthly (17)	1	2
130% of estimated redemption annually (19)	1	2
130% of the stores estimated redemption (6)	1	2
139% of estimated redemption (25)	1	2
140% of estimated redemption quarterly (28)	1	2
140% of the estimated lost monthly (3)	1	2
150% of average for vendor types and food package (1)	1	2
175% of estimated redemption (20)	1	2
190% of the stores total redemption monthly (4)	1	2
FI redeemed for 5.00 over estimated value (9)	1	2
May value established buy price survey form data (10)	1	2
Flagged at 120% rejected at 150% monthly (14)	1	2
2.5 SD above yearly average (23)	1	2
\$2.00 over estimated redemption (24)	1	2
State does not use flags or indicators	9	18

Note: Total number of States that flag overcharges is 39. All States were not able to provide information on what the criteria was for flagging.
(Q.52d)

Table 8.5. Use of Automated Vendor Collection/Billing Systems by State WIC Agencies

Use	Number of States	Percent of States
Automated system used	9	18
Yes, ADP payment reports sent to local WIC (5)	2	4
Yes, billed sanctioned claims flagged (6)	2	4
Yes, list produced of above reported shelf price (2)	2	4
Yes, semiautomated, letters are generated (4)	2	4
Yes, automated editing is prepayment in nature	1	2
Yes, generates ledger	1	2
Automated system not used	39	80
No, but vendor response maintained (9)	2	4
No, each overcharge is isolated during pre-edit (1)	2	4
No, follow-up done by State agency	1	2
No, identificaition is automated amounts manual (10)	1	2
No response	1	2

(Q.52d <31>)

Table 9.1. Organization of State WIC Vendor Management Systems

Organizational Structure	Number of States	Percent of States
State agency centralized	31	63
State agency/local agency shared	18	37
(Q.53)		

Table 9.2. Number of States That Have a State-Level Position for Coordination of Vendor Management

State Have Position	Number of States	Percent of States
Yes, filled and full time, mixed responsibilities	27	55
Yes, filled and full time, vendor management only	16	33
Yes, not filled but full time vendor management only	2	4
Yes, not filled but full time mixed responsibilities	1	2
No vendor manager position	3	6
(Q.54)		

Table 9.3 Agency or Organization Primarily Responsible for Selected Vendor Management Activities

Vendor Management Activities	Regional/ State Agencies	District Authorities	Local Agencies	Local Clinics	Both Reg/State and Local Agencies	Both LA and Local Clinics
Developing selection/limitation criteria	48	0	1	0	0	0
Appeals	46	0	0	0	2	0
Fraud and abuse investigations	44	2	0	0	3	0
Making payments to vendors	44	0	1	0	0	0
Reviewing reports on vendor	42	2	0	0	5	0
Sanctions	42	2	1	0	3	0
Vendor selection	38	1	7	0	3	0
Vendor authorization and reauthorization	37	1	9	0	2	0
Reviewing vendor applications	34	1	10	0	4	0
Signing agreements with vendors	31	1	14	0	3	0
Vendor training	19	1	22	1	5	0
Representative monitoring	17	1	24	2	4	1
Conducting preauthorization site visits	16	1	28	2	1	1

Note: In cases where the number of states does not equal 49, the data are missing.

Table 1A Summary of States' High-Risk Vendor Management Emphases

High Risk Management Practice	Emphases					
	High		Moderate		None	
	Number of States	Percent of States	Number of States	Percent of States	Number of States	Percent of States
F.I. redemption data	44	90	2	4	3	6
Use of statistical indicators	40	80	1	2	8	16
Field report	18	37	28	57	3	6
Vendor and participant complaints	18	37	26	53	5	10
Exchange of information with other agencies	10	20	16	33	23	47
Information about specific vendors	9	18	22	45	18	37
Manual review of redemption data	6	12	0	0	43	88
Visit to vendors	1	2	1	2	47	96

Table 1B1. WIC Vendors Predesignated on Voucher

Predesignated	Number of States	Percent of States
No	36	74
Yes	13	27

Table 1B2. Capture of Vendor Id During or Following Redemption Processing

Capture Vendor Id	Number of States	Percent of States
Yes	44	90
No	5	10

Table 1B3. Method Used to Capture Vendor Id

Method	Number of States	Percent of States
Keyed	34	77
Automated	6	14
Manual	2	5
Automated and Keyed	2	5
N/A	5	11

Note: Percentages are based on the 44 States that capture vendor ID.

Table 1B3a. Timing For Capturing Vendor Id Using Automation

Time	Number of States	Percent of States
Each time FI is processed	34	77
Quarterly	2	5
On request	1	2
Biannually	1	2
N/A	11	25

Note: Percentages are based on the 44 States that capture vendor ID.

Table 1B3b. Range of Vendors for Whom Id is Captured

Range	Number of States	Percent of States
All vendors	36	82
Some vendors	2	5
N/A	11	25

Note: Percentages are based on the 44 States that capture vendor ID.
States could respond to more than one category.

Table 1B4. Frequency with Which Participants in Pre-Designating States Can Change Vendor

Frequency	Number of States	Percent of States
Any time	6	46
Every two months	2	15
Weekly	1	8
Monthly	1	8
Biannually	1	8
At certification	1	8
No response	1	8
N/A	36	

Note: Percentages are based on the 13 States that pre-designate vendors.

Table 1B41. Limitations Placed on Participant Changes in Pre-designated Vendors

Limitations	Number of States	Percent of States
No limitations	6	46
Must notify one month prior to change	2	15
Can change only at issuance	1	7
Only in extreme cases	1	7
N/A	39	

Note: Percentages are based on the 13 States that pre-designate vendors.

Table 1C. Shelf Price System

Use Shelf Price	Number of States	Percent of States
In high risk	35	71
To determine overcharges	34	97
No/no response	14	29

Table 1C1. Source of Vendor Information

Source	Number of States	Percent of States
Vendor provided	25	71
WIC staff collect	23	66
Obtain from retail grocers assoc.	1	3

Note: Percentages are based on the 35 States that use shelf price information.

Table 1C2. Frequency of Shelf Price Data Collection

Frequency	Number of States	Percent of States
Quarterly	15	43
Annually	8	23
Monitoring visits	7	20
Semiannually	6	17
Monthly	5	14
Biannually	2	6
Ad hoc basis	2	6
With application	1	3
Every four months	1	3

Note: Percentages are based on the 35 States that use shelf price information.
States could respond to more than one frequency.

Table 1C3. States that Use Automated Shelf Price for High Risk

Automate	Number of States	Percent of States
Yes	19	54
No	16	45

Note: Percentages are based on the 35 States that use shelf price information.

Table 1D. Types of Vendor Characteristics Included in High Risk Systems

Characteristics	Number of States	Percent of States
Tips and complaints	39	80
Other Food Stamp Program (FSP) information	30	61
WIC history	23	47
Historic sales volume	17	35
Ownership	17	35
Location	15	31
Vendor type	15	31
FSP disqualification	14	54
FSP application information	8	16
FSP sanction information	5	10
All FSP information	4	8
FSP disqualification and sanction information	4	8
FSP redemption information	4	8
Store size	4	8
FSP authorization and sanction information	1	2
Sanction Information Network (SIN)	1	2
N/A	17	35

Table 1Da. How Vendor Characteristics are Used in High Risk Systems

How Used	Number of States	Percent of States
Used judgementally	39	80
Merged with price and redemption data	1	2
Used to validate variance analysis	1	2
Used to establish vendor risk status	1	2
Do not use vendor information in high risk system	3	6
No response	2	4

Table 1E. Use of Peer Grouping in High Risk Systems

Use	Number of States	Percent of States
Yes	28	57
No	21	43

Table 1E1. Types of Peer Groupings Used by the States

Types of Peer Groups	Number of States	Percent of States
Number of registers	6	21
Ownership	3	11
Location	2	7
Number of registers, ownership and location	2	7
Size square footage	1	4
Vendor type	1	4
Size, ownership and location	1	4
Price peer group	1	4
Volume	1	4
Definitions not used	9	32
N/A /no response	22	79

Note: Percentages are based on the 28 States that use peer groupings.

Table 1F Types of Redemption Analysis Reports, Use, and Characteristics of WIC Vendor High-Risk Data System

Redemption Analysis Report	Have the report		Part of High		Produced Quarterly		Automated	
	Number of States	Percent of States	Number of States	Percent of States	Number of States	Percent of States	Number of States	Percent of States
List vendor by WIC volume	39	80	31	79	37	95	39	100
High average FI prices	33	67	31	94	32	97	33	100
Compare redeemed price and price list	29	59	25	86	26	90	17	59
High percent of high-priced foods	28	57	24	86	26	93	26	93
Large increase in dollar volume of redemptions	26	53	21	81	21	81	18	69
High percent same-price redemptions	20	41	19	95	16	80	15	75
Small variation in FI prices	18	37	15	83	13	72	12	67
High percent of total redemptions in area	14	29	13	93	11	79	11	79
High number of redemptions outside area	13	27	9	69	6	46	9	69
WIC sales high percent of total sales	8	16	7	88	5	63	6	75
High percent consecutive serial number	5	10	4	80	5	100	5	100
High percent of manual FI redemptions	3	6	3	100	3	100	2	67
High number of at-risk participants	2	4	2	100	1	50	2	100
WIC and FSP high percent of total sales	1	2	1	100	1	100	1	100

Note: Percents in the second column are based on the total number of States surveyed.
Percents in the remaining columns are based on the number of States that have each report.

Table 1G. Number of Vendors Not Authorized in 1987 Because of Likelihood of Fraud or Abuse

	Number of States	Total Vendors	Mean Number of Vendors
Number of States/Vendors	36	3591.0	99.8

Table 1H. Methods Used to Select High Risk Vendors for Investigation

Methods	Number of States	Percent of States
All high risk vendors are investigated	15	31
Severity of suspected fraud	15	31
Availability of resources	12	25
Probable level of loss	11	22
Likelihood of recovering funds	4	8
Previous WIC disqualification due to Food Stamp disqualification	2	4
Investigations were not conducted in FY 1987	5	10
Investigations are not conducted	2	4

Table 1H1. Reasons Why All High-Risk Vendors Are Not Investigated

Reasons	Number of States	Percent of States
Funding and staff limitations	32	65
No internal capabilities	6	12
Difficulties associated with appeals process	2	4
Inexperienced in high-risk investigation	2	4
Travel time	2	4
All high risk vendors are investigated	1	2
Geographic location, limited resource/travel	1	2
Geography	1	2
Many stores modify behavior after warning letter	1	2
Risk designation too high	1	2

Table 1J. Use of Means Other than High Risk Monitoring to Identify At-Risk Vendors

Use	Number of States	Percent of States
Yes	30	61
No	19	39

Table 1J1. Methods Other Than High Risk Identification Used to Identify At-Risk Vendors

Methods	Number of States	Percent of States
Representative monitoring report	23	76
Participant complaints	3	10
Assessment of training	2	7
Voucher review	2	7
Local agency reports	1	3
No response	1	3

Note: Percentages are based on the 30 States that use means other than high risk.

Table 2A. High-Risk Investigative Methods Used by the States

Method	Number of States	Percent of States
Compliance buys	20	41
Compliance buys and audits	8	16
Site visits	4	8
Compliance buys and site visits	4	8
Compliance buys and representative monitoring	3	6
Audits	1	2
Representative monitoring	1	2
Compliance buys and high-risk monitoring	1	2
Investigations were not conducted in FY 1987	4	8
Investigations are not conducted	3	6

Table 2B. Pre-Compliance Buy Measures Taken to Prepare for Investigation

Measures	Number of States	Percent of States
Review investigation records	29	81
Review sample of redeemed FIs	22	61
Review statistical indicators	19	53
Review price lists	17	47
Review vendor fact sheets	5	14
Warn the vendor	5	14
Review peer group assignment	4	11
Contact vendor and discuss	3	8
Check with local agency for vendor problem	2	6
Coordinate with Food Stamp Program	2	6
Check food stock, volume	2	6
Criminal intelligence	1	3
Check effect on participation	1	3

Note: Percentages are based on the 36 States that conduct compliance buys.

Table 2C. Types of Compliance Buys Used by the States

Types of Buys	Number of States	Percent of States
Safe buys	32	89
Minor substitution	28	78
Major substitution	23	64
FI for cash	11	31
Accepting expired voucher	1	3
Stores cashing other stores' check	1	3
Other	1	3

Note: Percentages are based on the 36 States that conduct compliance buys.

Table 2D. Reasons Why Compliance Buys are Used for Investigations

Reasons	Number of States	Percent of States
Test for suspected offense	14	39
No real basis, appears to be best	5	14
Effective for documenting abuse	3	8
Cheap and safe	3	8
Efficient	2	6
Avoid entrapment	2	6
ARVA	2	6
Detect overcharging	1	3
Divisional policy	1	3
Good success rate	1	3
In the manual	1	3
To detect the most serious offenses	1	3

Note: Percentages are based on the 36 States that conduct compliance buys.

Table 2E. Basis for Changing from One Type of Buy to Another

Basis for Change	Number of States	Percent of States
Results of buys	9	25
Types of offenses suspected	8	22
Only one type of buy is used	5	14
Directions from WIC staff	2	6
No response	11	31
N/A	1	3

Note: Percentages are based on the 36 States that conduct compliance buys.

Table 2Ea. Types of Persons Who Supervise Compliance Buys

Persons Who Supervise	Number of States	Percent of States
Vendor coordinator	20	56
Contractor management	5	14
Other agency staff	5	14
Regional coordinator	2	6
Other member of investigative team	1	3
Vendor monitor	1	3
No one oversees the buy	2	6

Note: Percentages are based on the 36 States that conduct compliance buys.

Table 2F. Types of Persons Who Conduct Compliance Buys

Individuals Who Conduct Buys	Number of States	Percent of States
WIC State agency staff	19	53
Local agency staff	8	22
WIC State agency regional staff	8	22
Contract investigators	8	22
WIC State investigators	4	11
Other State agency staff	3	8
Neighborhood residents or participants	2	6
College students	2	6
Contract employee	1	3
Criminal justice students	1	3
Local health department staff	1	3
Office of the Inspector General staff	1	3
People off the street	1	3
Special agents	1	3

Note: Percentages are based on the 36 States that conduct compliance buys.

Table 2G. Personnel Providing Compliance Buy Training

Staff Providing Training	Number of States	Percent of States
By WIC State staff	20	56
Investigators already trained	6	17
Already familiar with WIC	2	6
Self-trained	2	6
WIC-familiar plus vendor-specific briefing	2	6
By Food Stamp investigator	2	6
By State police and attorney	1	3
Don't know	1	3
No formal training	2	6

Note: Percentages are based on the 36 States that conduct compliance buys.

Table 2Ga. Types of Improvements Needed in Training for Compliance Buys

Improvements Needed	Number of States	Percent of States
None needed	11	31
Accurate report preparation	3	8
Handbook	2	6
More training	2	6
Formal curricula	1	3
Ongoing workshop	1	3
Onsite experience	1	3
USDA workshop	1	3
Use criminal justice students	1	3
No response	13	36

Note: Percentages are based on the 36 States that conduct compliance buys.

Table 2Gb. Types of Outside Resources That Would Improve Compliance Buy Training

Resources	Number of States	Percent of States
None needed	7	19
Instruction from the Food Stamp Program	3	8
Automated training guides	2	6
USDA conference	2	6
Bilingual investigators	1	3
"The WIC papers"	1	3
No response	20	56

Note: Percentages are based on the 36 States that conduct compliance buys.

Table 2H. Reasons Why Different Types of Investigators are Used

Reasons	Number of States	Percent of States
Cost effective	6	17
Availability	5	14
WIC staff understands the regulations	4	11
Local and State agency staff recognized	3	8
More direct control	3	8
"What's been done all along"	2	6
Can not hire staff based on ethnic background	1	3
Contractor's expertise	1	3
Health Commissioners preference	1	3
Investigator familiar with area	1	3
Not appropriate for local agency staff	1	3
No reason	1	3

Note: Percentages are based on the 36 States that conduct compliance buys.

Table 2I. Summary of State High Risk Compliance Buy Methods

	Number of States	Total Number of Vendors	Average Number
Vendors investigated with compliance buys	35	1299	37
Average number of compliance buys conducted	36	N/A	2
Average number of positive compliance buys	30	N/A	4
Vendors receiving compliance buys identified by system analysis	30	967	32
Vendors receiving compliance buys identified by other means	29	278	9
Vendors found in violation as a result of compliance buys	30	734	24
(Q.2I, 2J, 2K, 2L, 2M)			

Table 2M. Number of Successful Buys Needed to Initiate Sanctions

Number Needed	Number of States	Percent of States
Single buy	6	17
Two buys	13	36
Three buys	12	33
Four buys	1	3
Five buys	1	3
Don't know	1	3

Note: Percentages are based on the 36 States that conduct compliance buys.

Table 2Ma. Basis for Number of Compliance Buys Used

Basis	Number of States	Percent of States
Past sanction experience	14	39
Legal counsel advice	8	22
Policy	4	11
Agency practice	3	8
Food Stamp Program advice	1	3
Food Stamp Program policy	1	3
State law or regulations	1	3
Don't know	2	6

Note: Percentages are based on the 36 States that conduct compliance buys.

Table 2N. High Risk Indicators Found Most Useful in Identifying High Risk Vendors

Indicators	Number of States	Percent of States
Redemption data	3	8
Variance	3	8
Complaints	2	6
Food Stamp Program sanction information	2	6
ARVA	1	3
Computer analysis (unspecified)	1	3
High mean	1	3
High volume	1	3
Markouts/changes on vouchers	1	3
Don't know	4	11

Note: Percentages are based on the 36 States that conduct compliance buys.

Table 2Na. Types of High Risk Indicators Confirmed by Compliance Buys

Indicators	Number of States	Percent of States
High mean value	9	25
Overcharges	6	17
Variance	4	11
Check errors	3	8
History	2	6
In store review	2	6
Complaints	1	3
Location of store	1	3
Redemption data	1	3
Type of store	1	3
Yes, but no indicators given	4	11
No reponse	5	14
No	16	45?

Note: Percentages are based on the 36 States that conduct compliance buys.

Table 20. Types and Numbers of Offenses Identified by Compliance Buys

Offenses	Number of States	Number of Offenses	Average Number of Offenses
Providing unauthorized foods	26	541	20.8
Charging for food items not received	19	634	33.4
Not recording data on FI at time of purchase	14	467	33.4
Charging prices in excess of shelf price	12	274	22.8
Stocking insufficient quantities of WIC food	10	42	6.0
Charging in excess of foods on FI	8	99	12.4
Providing nonfood items for FI	5	64	12.8
Redeeming expired FIs	5	14	2.8
Offering to buy FI at below-redemption value	2	3	1.5
Providing cash or credit for F.I.	2	3	1.5
Other offenses	9	66	7.3

Table 20a. Other Types of Offenses Detected by Compliance Buys

Offenses	Number of States	Percent of States
Accepting precountersigned checks	1	3
Altered vouchers	1	3
Not checking authorized signatures	1	3
Observed Food Stamp Program violations	1	3
Receiving change	1	3
Redemption by unauthorized store	1	3
Requiring participant to purchase all foods listed	1	3

Note: Percentages are based on the 36 States that conduct compliance buys.

Table 2P. Average Cost of A Single Compliance Buy

	Cost
Average	\$70
Maximum	\$340
Minimum	\$8

Table 2Q. States' Rating of Effectiveness of Compliance Buys as an Investigation Tool

Effectivness	Number of States	Percent of States
Very effective	29	81
Effective	1	3
Not effective	1	3
Not yet tested	2	6
Don't know	1	3
No sanctions imposed	2	6

Note: Percentages are based on the 36 States that conduct compliance buys.

Table 2R. Planned Changes in Compliance Buys That States Would Like to Make

Changes	Number of States	Percent of States
Enhance use of redemption data analysis	6	17
Use variance report	6	17
Add refinement	2	6
If high number of vendors, concentrate on worst	2	6
Depends on outcome of system being development	2	6
Compare statistical indicators and complaint	1	3
Fewer buys, more uniform	1	3
If high risk, will do on-site visit and 2 buys	1	3
Rotate investigators	1	3
Use VAMP	1	3
Use vendor survey data to classify vendors	1	3
No changes	17	47

Note: Percentages are based on the 36 States that conduct compliance buys.

Table 2S. Types of Pre-audit Steps Taken By States Performing Audits

Steps	Number of States	Percent of States
Review investigation records	7	78
Review statistical indicators	6	67
Contact vendor and discuss	3	33
Review price lists	3	33
Review sample of redeemed FIs	2	22
Shelf stock problems	1	11
Request invoices for 6 months	1	11
Review peer group assignment	1	11
Review vendor fact sheets	1	11
Warn the vendor	1	11

Note: Percentages are based on the 9 States that conduct audits.

Table 2T. Methods Used When Conducting Store Audits

Methods	Number of States	Percent of States
Review invoices, prices and stock	5	56
Review redemption relative to inventory	4	44
Beginning inventory included	2	22
Review performance during contract period	2	22
Beginning inventory not included	1	11
Compare WIC volume to inventory	1	11
Document results	1	11
Ending inventory included	1	11
Review WIC food inventory turnover	1	11

Note: Percentages are based on the 9 States that conduct audits.

Table 2Ta. Why States Use Audit Procedures

Reasons	Number of States	Percent of States
Ad hoc procedure	1	11
As follow-up to compliance buy	1	11
As precursor to compliance buy	1	11
No reason given	4	44
No response	2	22

Note: Percentages are based on the 9 States that conduct audits.

Table 2U. Types of Staff Who Conduct Store Audits

Staff	Number of States	Percent of States
Other State agency staff	4	44
Vendor relations specialist	3	33
WIC State subregional staff	2	22
WIC State store investigators	2	22
Fiscal auditor	1	11

Note: Percentages are based on the 9 States that do audits.
States could respond to more than one item.

Table 2V. Types of Training Provided to Store Auditors

Types of Training	Number of States	Percent of States
Auditors are accountants	3	33
Informal training	2	22
Audit unit trains	1	11
Observe for the first three months	1	11
On-the-job training	1	11
Program experience, no training	1	11
Review procedures	1	11
Use manuals	1	11
Other	3	33

Note: Percentages are based on the 9 States that do audits.

Tables 2W. Summary Characteristics of Audit Investigation Methodology

Characteristics	Number of States	Number of Vendors	Average Number of Vendors
High risk vendors audited	9	460	51
Vendors identified by analysis	8	368	46
Vendors identified by other method	3	55	18
Audited vendors in violation	9	232	26

(Q.2W, 2X, 2Y)

Table 2Z Types and Numbers of Offenses Identified by Audit Investigations

Offenses	Number of States	Number of Offenses	Average Number Offenses
Charging for food items not received	8	135	16.9
Stocking insufficient quantities of WIC Food	4	52	13.0
Charging prices in excess of shelf price	1	11	11.0
Other	1	26	26.0

Table 2AA1. Types of Other Investigation Procedures Used by States

Procedures	Number of States	Percent of States
On-site reviewing	6	46
Monitoring	4	31
High risk monitoring visit	3	23

Note: Percentages are based on the 13 States that conduct other methods.

Table 2AA2. Types of Pre Investigation Steps Taken by States Using Other Investigation Methods

Steps	Number of States	Percent of States
Review investigation records	9	69
Review sample of redeemed FIs	8	62
Review statistical indicators	7	54
Review vendor price lists	7	54
Review peer group assignment	4	31
Contact vendor to discuss problem	2	15
Prepare vendor fact sheet	1	8
Obtain vendor participant volume	1	8

Note: Percentages are based on the 13 States that conduct other methods.

Table 2BB. Activities Conducted During Other Investigation Procedures

Activities	Number of States	Percent of States
Conduct representative monitoring review	3	23
Check FI correctness	2	15
Compare FI and prices	2	15
Depends on suspected offenses	2	15
Observing store activity	2	15
Checks for all serious offenses	1	8
Record shelf prices, review FIs, identify problems	1	8

Note: Percentages are based on the 13 States that conduct other methods.

Table 2CC. Types of Individuals Who Conduct Other Types of Investigations

Individuals	Number of States	Percent of States
WIC State agency staff	8	62
Local WIC agency staff	5	39
WIC State agency subdivision	2	15
Office of Inspector General staff	1	8
College students	1	8

Note: Percentages are based on the 13 States that conduct other methods.

Table 2DD. Training Provided for Other Types of Investigations

Training	Number of States	Percent of States
Self-trained	12	92
WIC State staff used	11	85
Informal training	5	39
Investigators already trained	4	31
On-the-job training	2	15
WIC familiarization	2	15

Note: Percentages are based on the 13 States that use other methods.

Tables 2EE. Methods Used to Identify Vendors in Violation in Other Investigations

Methods	Number of States	Number of Vendors	Average Number of Vendors
Vendors investigated with other method	13	501	39
Vendors identified by analysis	13	253	20
Vendors identified by other method	7	232	29
Vendors found in violation by other method	11	89	8
(Q.2EE, 2FF, 2GG)			

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Table 2HH. Types and Numbers of Offenses Detected by Other Investigations

Offenses	Number of States	Number of Offenses	Average Number Offenses
Insufficient stock of WIC Food	6	34	6
Charging in excess of shelf price	5	74	15
Not recording data on FI at purchase	5	56	11
Outdated formula	5	4	1
Providing unauthorized food items	5	6	1

Table 2II. Standards of Evidence Needed to Prove Fraud or Abuse

Standards of Evidence	Number of States	Percent of States
Specified number of positive buys	6	12
Standard rules of evidence	6	12
Investigator's report	2	4
Investigator's testimony	1	2
Results of compliance buys only, number not stated	1	2
Physical evidence and reports	1	2
Show probable cause	1	2
Physical evidence, reports, number of positive buys	1	2
Positive number of buys and physical evidence	1	2
Positive compliance buys, and demonstration of intent	1	2
Price information only if 48 hours old	1	2
No standards of evidence	18	37
No response	6	12
N/A	2	4

Table 3A. Most Severe Sanction Imposed in FY 1987

Sanction	Number of States	Percent of States
Disqualification	17	35
Long disqualification	9	18
Disqualification with automatic reinstatement	1	2
Limited renewal of vendor agreement	1	2
Probation	1	2
Sanction points	1	2
Vendor agreement cancelled permanently	1	2
Vendor agreement not renewed	1	2
Warnings	1	2
No sanctions were imposed in FY 1987	13	27

Table 3Ab. Least Severe Sanctions Imposed in FY 1987

Sanction	Number of States	Percent of States
Warnings	18	37
Short disqualification	10	20
Vendor agreement not renewed	2	4
Educational letter	1	2
Limited renewal of vendor agreement	1	2
Reimbursement for overcharges	1	2
Sanction points	1	2

Table 3Ac. Most Frequently Imposed Sanction in FY 1987

Sanction	Number of States	Percent of States
Warnings	14	27
Disqualification	5	10
Short disqualification	3	6
Sanction points	2	4
Disqualification with automatic reinstatement	1	2
Fines	1	2
Limited renewal of vendor agreement	1	2
Reimbursement for overcharges	1	2
No response	4	8

Table 3Ad. Maximum Length of WIC Vendor Disqualifications in
FY 1987

Length	Number of States	Percent of States
36 months	18	37
30 months	1	2
24 months	4	8
22 months	1	2
18 months	2	4
12 months	3	6
8 months	1	2
6 months	1	2
3 months	1	2

Table 3B. Administrative Officer Responsible for Appeals

Officer	Number of States	Percent of States
WIC parent agency hearing officer	25	51
Other state agency hearing officer	8	16
Administrative law judge	7	14
WIC State parent agency appointee	2	4
Attorney on retainer to other agency	1	2
Attorney on retainer to parent agency	1	2
Other State agency attorney	1	2
No sanctions appealed or no appeals held	4	8

Table 3C. Use of Informal Prehearing Conferences

Use	Number of States	Percent of States
Yes, discretionary	14	29
Yes, mandatory	3	6
No	28	57
Appeals have not been held	4	8

Table 3D. States with Regulations Governing Vendor Appeals

Have Regulations	Number of States	Percent of States
Yes	26	53
No	23	47

Table 3E. Basis for Vendor Appeal Policy and Regulations

Basis	Number of States	Percent of States
State Administrative Procedures Act	15	58
Legal counsel's advice	5	19
State plan	4	15
Other health department rules	4	15
State law for WIC	3	12
State health department law	3	12
State health department regulations	3	12
Based on Federal regulations	1	2
Vendor handbook	1	2
No response	6	23
Don't know	3	12

Note: Percentages are based on the 26 States that have legal requirements governing the appeals process.
Multiple questions were possible.

Table 3F. Who Determines Vendor Overcharging

Determined by	Number of States	Percent of States
State agency	33	67
FI processing contractor	4	8
Bank	2	4
Both State and local	2	4
N/A prepayment edit used	2	4
Local agency	1	2
No response	1	2
No vendor overcharge system	4	8

Table 3F1. Frequency That Overcharging is Analyzed

Frequency	Number of States	Percent of States
Monthly	19	45
Quarterly	5	12
Continuous--tied to redemption	3	7
Annually	2	5
Semiannually	2	5
Daily	2	5
During compliance buys	2	5
During high risk monitoring	1	2
During representative monitoring	1	2
Every four months	1	2
No response	4	10

Note: Percentages are based on the 42 States that have an overcharge system.

Table 3F2. Methods Used to Determine Vendor Overcharging

Method	Number of States	Percent of States
Redemption value exceeds highest price	39	93
Audit	1	2
Cost estimate vs redemption	1	2
No response	1	2
Note: Percentages are based on the 42 States that have an overcharge system.		

Table 3F3. Percent of Vendors Systematically Screened for Overcharges

Percent	Number of States	Percent of States
100 percent	36	86
20 percent	3	7
10 percent	1	2
2 percent	1	2
Note: Percentages are based on the 42 States that have an overcharge system.		

Table 4A. Methods Used to Prevent Vendor Fraud and Abuse

Methods	Number of States	Percent of States
More vendor training	25	51
Strong selection criteria	13	27
Joint WIC/FSP disqualification	7	14
Sanction and point system	6	12
Limit number of vendors	6	12
Educate participants on checkout procedures	5	10
Exchange of information with FSP about sanctioned vendors	5	10
Publicize investigations	5	10
Routine FI review	4	8
Annual representative monitoring	3	6
Increased compliance buys	3	6
Certified cashier training	2	4
Strong vendor agreement	2	4
Competitive price review	1	2
Freeze on nonchain vendors	1	2
Increased redemption analysis	1	2
Issuing regulations on vendor abuse	1	2
Payment of all overcharges	1	2
Prepayment edit	1	2
Tougher warnings	1	2
Use of vendor-specific FI	1	2
No other preventive measures taken	4	8

Table 4B. Vendors Not Authorized Due to Preventative Measures Taken By States

	Number of States	Number of Vendors	Average Number of Vendors
States/vendors	10	1010.0	144

Table 4C. Requirements for Client Signature on the FI

Requirements	Number of States	Percent of States
Yes, at time of redemption and pickup	44	90
Yes, at time of redemption	4	8
Yes, at time of pickup	1	2

Table 4D. States Capturing FSP Identification Number When Vendor Applies for Program

Capture FSP Id.	Number of States	Percent of States
Yes	26	53
No	23	47

Table 4E. States Capturing Gross Food Sales Data When Vendor Applies for Program

Capture Gross Food Sales	Number of States	Percent of States
Yes	31	63
No	18	37

Table 4F. States Visiting at Authorization

Visit	Number of States	Percent of States
Yes	48	98
No	1	2

Table 4Fa. States Visiting Vendor at Reauthorization

Visit	Number of States	Percent of States
Yes	23	47
No	26	53

Table 4G. States Permitting Automatic Reauthorization

Automatic Reauthorization	Number of States	Percent of States
Yes	21	43
No	28	57

Table 5A. Factors Affecting State Vendor Management

Factors	Number of States	Percent of States
Positive		
Supportive State, local, or federal management	10	20
Good data system	7	14
High quality of State agency staff	6	12
Beneficial legal support	3	6
Change to rigorous enforcement philosophy	3	6
Other	7	14
Negative		
Lack of staff and resources	25	51
Lack of /inadequate automation	12	25
Inadequate administrative funds	11	22
Legal problems	7	14
Limited analysis capability	7	14
Unsupportive State, local, or federal management	7	14
Problems in limiting vendors	4	8
Maintaining anonymity of investigators	3	6
Other	7	14

APPENDIX D
METHODOLOGY

APPENDIX D

3.1 BACKGROUND

The time period examined for this report was FY 1987, the period for which the most recent and complete data on the subject could be reported. The data were actually collected in FY 1988. The study used survey methodology, including a self-administered questionnaire and a telephone interview.

3.2 INSTRUMENTS

The instruments used for this study were developed in consultation with FNS officials at the Federal and Regional levels, WIC State Directors and WIC Vendor Management Coordinators, and experts in WIC vendor management serving as the study's Advisory Panel.¹ Copies of the instruments are included as Appendix C.

The self-administered questionnaire, called Part A, obtained descriptive information about selected aspects of each State WIC agency's vendor management system. It focused on quantitative and simple factual information that could be easily provided. It was to be completed by State WIC agency officials.

Because of the variation among the States in their vendor management practices, Part A alone was inadequate for obtaining the information necessary to identify vendor fraud control practices. Therefore, this study used Part B, the telephone interview, to obtain a more complete description of each State's efforts to eliminate vendor fraud and other serious forms of abuse.

Part B consisted of two versions. The first was simply an abridged version, sent to each State agency in advance of the

¹The Advisory Panel consisted of the following people: Loren Bell, Director, Washington WIC Program; Mike Buckley, WIC Supplemental Food Program Division, FNS Mid-Atlantic Region; Arthur W. Burger, Quality Planning Corporation; and Linda Yates, Supplemental Food Programs, FNS Southeast Region.

telephone interview to help respondents prepare for the interview. The second instrument was the complete version of the questionnaire, including probes, for the interviewer's use.

During the interview, the respondent was asked to describe, in specific terms, various components of the State's vendor management system. Follow-up probes were to be used as needed to add specificity.

All survey instruments were pretested in three States with different vendor management procedures, Pennsylvania, Rhode Island, and South Carolina. Interviews with the State WIC Director and the Vendor Management Coordinator in these States enabled the study team to assess several aspects of the instruments: for example, ease in instrument completion, availability of the requested, and clarity of language and instructions. The instruments were revised accordingly. The surveys were further reviewed and edited by professional staff at the FNS, Professional Management Associates, and Applied Management Sciences.

3.4 RESPONDENTS

A total of 87 State Administrative Agencies operate the WIC Program. This number includes 54 State and 33 Indian Administrative Agencies. FNS considered the Indian agencies and the State agencies in Puerto Rico, the U.S. Virgin Islands, and Guam to be outside the scope of the study. Two States, Vermont and Mississippi, deliver foods directly to program participants and do not use retail food stores; therefore they were also outside the scope of the study. The remaining 49 State Administrative Agencies, including the District of Columbia, use food instruments to distribute foods through food store and pharmacy vendors. Because of the wide variation in State vendor management practices, all 49 were sent questionnaires. Although State participation in the survey was voluntary, a 100-percent response rate was obtained. Actual respondents were State WIC Directors or Vendor Coordinators.

3.5 DATA COLLECTION PROCEDURES

Notification letters of the study from Ron Vogel, Supplemental Food Programs Director, were sent to the Regional Offices and the State WIC Administrative Agencies. Following these, the survey instruments were sent, accompanied by another letter from Mr. Vogel.

As each State WIC agency returned the completed questionnaire and associated documents, the materials were screened for completeness and clarity. If a responding agency had not completed one or more questions or had provided a response that was inconsistent with other survey responses, the survey staff telephoned the person responsible for completing the questionnaire and requested additional clarification.

The study's four primary team members conducted the Part B interviews. They attended a day-long training session conducted by the Project Director. Topics discussed included:

- o Possible definition interpretation problems
- o Reducing respondent misrepresentations/misunderstandings
- o Documentation methods

Before each interview, the interviewer reviewed the State's completed mail questionnaire and associated documents in order to develop an overall understanding of the key vendor management practices used in that State. Then, by appointment, the study team member called the State WIC agency and conducted the interview. A 100-percent response rate was also achieved on the telephone interview part of the study.

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